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APPENDIX
TO THE
TWENTY-THIRD ANNUAL GENERAL REPORT
OF THE COUNCIL
OF THE
CORPORATION OF FOREIGN
BONDHOLDERS.

—♦♦♦—
For the Year 1895.
—♦♦♦—

LONDON:
COUNCILHOUSE, No. 17, MOORGATE STREET.
1895, 1896.

PRINTED IN GREAT BRITAIN.

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TWENTY-THIRD ANNUAL GENERAL REPORT
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ARGENTINA.

EXTERNAL DEBT (NATIONAL FOREIGN LOANS).

	Original Amount.	Present Amount.	
Six per Cent. Buenos Ayres Loan, 1824, and Three per Cent. Arrear Stock, 1857	£ 2,500,000	£ 166,257	
Six per Cent. Railway Loan, 1881	2,450,000	351,340	
Five per Cent. Loan, 1884 ..	1,714,200	1,463,900	
Five per Cent. Loan, 1886-7 ...	8,333,000	7,581,200	
Northern Central Railway Extensions Five per Cent. Mortgage Bonds, 1887-8-9 ...	3,968,200	3,768,400	
Five per Cent. Treasury Conversion Bonds, 1887	624,000	581,050	
Five per Cent. Banco Nacional, 1887 (German Loan) ...	2,058,200	1,887,301	
Four and a-Half per Cent. Internal Gold Loan, 1888 ...	3,953,900	3,703,500	
Four and a-Half per Cent. Conversion Loan, 1889	5,263,560	4,997,060	
Three and a-Half per Cent. External Sterling Bonds, 1889...	2,659,500	2,443,340	
Northern Central Railway Five per Cent. Bonds, 1890 (Second Issue)	2,976,000	2,863,680	
Six per Cent. Funding Loan } of 1891... ..	14,880,000	7,630,680	
Port of Buenos Ayres Five per Cent. Debentures, 1892 ...	(authorised)		
Buenos Ayres Water Supply } and Drainage Works, 1892, }	2,000,000	1,360,500	
Five per Cent. Bonds	6,324,400	6,324,400	
Cedulas of National Mortgage Bank* :- Gold Series A	3,968,253	3,058,240	£45,122,608
Currency Series A	1,133,786	732,300	
" " B	850,340	682,269	
" " C	850,340	686,403	
" " D	1,133,786	996,816	
" " E	1,133,786	1,053,550	
" " F	.....	622,175	
† National Railway Guarantees:			7,831,753
Arrears unpaid up to 31st December, 1894 ... ..	.....	1,771,328	
Arrears unpaid due for 1895	.....	793,434	
			2,564,762
Total ... ..	.....	.....	£55,519,123

* The amounts of the Cedulas have been converted to sterling at the rate of \$5 in the Gold Series, and also in the Currency Series, after reducing these latter to gold dollars at 220 premium. The present gold premium (July, 1895) is about 185. At the latter rate the amount of National Cedulas outstanding would be £8,417,973.

† A Bill for the proposed settlement of most of the National Railway Guarantees was passed by the Argentine Congress in January, 1896, and in some cases the proposals have been accepted by the Companies.

Argentine Committee.

The Lord Eustace Cecil, <i>Chairman</i> .	R. B. Martin, Esq., M.P.
The Right Hon. Sir John Lubbock, Bart., M.P.	W. Morrison, Esq., M.P.
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E. Johnstone, Esq.	W. Trotter, Esq.
	<i>Secretary.</i>
	James P. Cooper, Esq.

Area 1,212,600 square miles.
 Population (Census 1895) 4,090,000
 Capital, Buenos Ayres. Population 662,763.

External Debt, per head (inclusive
 of National Cédulas, but exclu-
 sive of Railway Guarantees) ... £12. 19s.

President Dr. José E. Uriburú.
 British Minister at Buenos Ayres ... Hon. W. A. C. Barrington.
 Argentine Minister in Great Britain Don Luis L. Dominguez.

HISTORY OF THE FOREIGN DEBT (NATIONAL).

1824.—Six per Cent. Loan. Raised in London by the Province of Buenos Ayres. Amount, £1,000,000 at 85 per cent. Sinking Fund, $\frac{1}{2}$ per cent. Default made in 1830. Recognised as a National Loan in 1880. Outstanding amount included in the "Romero Arrangement" (see end of this History).

1857.—Three per Cent. Arrears. The Arrears of Interest on the preceding Loan, amounting to £1,500,000, were converted into a separate Stock, bearing 1 per cent. interest till 1865, 2 per cent. from 1865 to 1870, and 3 per cent. thenceforwards till extinction in 1890.

1863.—Six per Cent. Internal Bonds (Hard Dollars). Issued in 1863 in Buenos Ayres, and introduced on the English market in 1872 and 1874 by Messrs. Stern Bros. at a fixed exchange of 49d. to the dollar. 1 per cent. Sinking Fund applied quarterly, by tender, to purchase of these Bonds. In 1889 these Bonds were converted into new Three and a-Half per Cent. External Sterling Bonds, which are now included in the Romero Arrangement.

1866-8.—Six per Cent. Loan. Amount, £2,500,000, to meet expenses of the Paraguayan War. Two issues by Messrs. Baring Bros. & Co. at 75 and 72½ per cent. respectively. Original Sinking Fund 1 per cent., subsequently increased to 2½ per cent. Loan extinguished in 1889.

1870.—Buenos Ayres Six per Cent. State Loan. Amount £1,034,700. Issued by Messrs. C. de Murrieta & Co. at 88 per cent. Accumulative Sinking Fund 1 per cent. Product of Loan to be devoted to works of public industry. This Loan was recognised as a national obligation in 1880. The outstanding balance of this Loan was converted in 1889 into the Four and a-Half per Cent. Conversion Loan.

1871.—Six per Cent. Public Works Loan. £6,122,400 Stock. Issued by Messrs. C. de Murrieta & Co. at 88½ per cent. Redeemable by 2½ per cent. Sinking Fund. The object of this Loan was to provide funds for the completion of the Villa Nueva—Rio Cuarto Railway, the extension of the line from Cordova to Tucuman, and the construction of a Port and Customs Houses at Buenos Ayres and Rosario. The outstanding balance of this Loan was converted in 1889 into the Four and a-Half per Cent. Conversion Loan.

1872-4.—In these years Messrs. Stern Bros. introduced into the London market the following amounts of the Six per Cent. Internal Hard Dollar Bonds of 1863, viz.: £1,225,000 at 76 per cent. in 1872, and £357,863 at 80 per cent. in 1874. Converted into Three and a-Half per Cent. External Sterling Bonds of 1889.

1873.—Buenos Ayres Six per Cent. Loan. Amount, £2,040,800. Issued by Messrs. Baring Bros. & Co. in 1873 at 89½ per cent. Accumulative Sinking Fund, 1 per cent. Recognised

by Federal Government in 1880. The outstanding balance of this Loan was converted in 1889 into the Four and a-Half per Cent. Conversion Loan.

1876.—Nine per Cent. Treasury Bonds. Amount, \$6,000,000. These were not offered for subscription in London, but were subsequently introduced on to the London market by Messrs. Stern Bros. The Bonds were originally redeemable by tender. They were ultimately converted into External Debt under the Treasury Conversion Bonds issue of 1887 (see the Romero Arrangement).

1881.—Six per Cent. Railway Loan. Amount, £2,450,000. Issued by Messrs. Murrieta & Co. in London, and Messrs. L. and R. Cahen d'Anvers & Co. in Paris at 91 per cent. Sinking Fund, 1 per cent. Its object was to enable the Government to prosecute the extensions of the Central Northern and Andine Railways, and the Bonds were guaranteed by the income of these lines. Included in the Romero Arrangement.

The greater part (£1,540,120) of this Loan was in 1889 converted into Five per Cent. Debenture Stock of the Cordoba Central Railway Company. The value of the remaining Bonds not converted (£690,680) was to be deposited in the Bank of England in the name of Messrs. Murrieta & Co., and temporarily invested in English or Argentine Sterling Securities, the funds thus deposited only to be withdrawn as and when required for the redemption of the capital of the 1881 Bonds not exchanged. The Bondholders have not succeeded in obtaining possession of these funds, and the amount outstanding, £351,340, has been included in the Romero Arrangement.

1882.—Six per Cent. Loan. Amount, £817,000. Issued by Messrs. Morton, Rose & Co., as Agents for a Paris house, at 92½ per cent. Redeemable at par by 2 per cent. Accumulative Sinking Fund. The outstanding balance of this Loan was converted in 1889 into the Four and a-Half per Cent. Conversion Loan.

1884.—Five per Cent. Loan. Amount, £1,714,200. Issued at 84½ per cent. by Messrs. Baring Bros & Co. Principal to be paid off by 1 per cent. Sinking Fund. Object, to pay for 60,000 shares in the National Bank, subscribed for by the Argentine Government. Secured specially on the dividends of these

shares and generally on the revenues of the Republic. Included in the Romero Arrangement.

1886-7.—Five per Cent. Loan. Issued by Messrs. Baring Bros. & Co. and Messrs. J. S. Morgan & Co. in two instalments, viz. :—£4,000,000 in 1886, at 80 per cent., and £4,290,100 in 1887, at 85½ per cent. Redeemable by 1 per cent. Sinking Fund. Secured specially on Customs Duties, which were to be paid each month into the National Bank of Buenos Ayres, the Bank to remit monthly to the Agents the amount necessary for the service of the Loan. Included in the Romero Arrangement.

1887.—Five per Cent. Banco Nacional (German) Loan. Amount, £2,058,200. These Bonds are held on the Continent, and not quoted in London. Included in Romero Arrangement.

1887-8-9.—Northern Central Railway Extension Five per Cent. Government Mortgage Bonds, First Issue. Amount, £3,968,200. Messrs. C. de Murrieta & Co. issued £1,300,000 in 1887 at 91½ per cent., £1,500,000 in 1888 at 94 per cent., and £1,168,200 in 1889 at 97 per cent. The Bonds are specially secured on the Railway Extensions for the construction of which the Loan was raised. The Bonds are redeemable by 1 per cent. Accumulative Sinking Fund. Included in the Romero Arrangement.

1887.—Five per Cent. Treasury Conversion Bonds. The object of the Loan was the Conversion of the \$3,582,315 outstanding 9 per cent. Internal Treasury Bonds of 1876, of which \$3,044,100 were exchanged for £624,000 of the New Bonds. The Loan was issued by Messrs. C. de Murrieta & Co. at the rate of £20. 10s. of the Conversion Bonds for every \$100 of Nine per Cent. Treasury Bonds. Secured on the general revenues of the Republic. Principal redeemable by 1 per cent. Accumulative Sinking Fund. Included in the Romero Arrangement.

1888.—Four and a-Half per Cent. Internal Gold Loan. Authorised amount \$19,868,500. Amount offered for subscription \$19,667,900 (£3,933,580), the balance, \$200,600, having been paid on account of Sinking Fund before the issue of the Loan by Messrs. Baring Bros. & Co. Issue price 87 per cent. Its object was to replace the Five per Cent. Bonds issued to the Provincial Bank of Buenos Ayres for repayment of advances, and to the Provincial Government of Buenos Ayres for expenses incurred in various objects of

public utility when the City was made the Federal Capital. Bonds redeemable at par by 1 per cent. Accumulative Sinking Fund. Included in the Romero Arrangement.

1889.—Four and a-Half per Cent. Conversion Loan. Amount, £5,263,560. Issued by Messrs. Baring Bros. & Co. and Messrs. C. de Murrieta & Co. at 90 per cent. for the purpose of repaying the Six per Cent. Bonds of 1871 and 1882 and the Buenos Ayres Six per Cent. Bonds of 1870 and 1873. Redeemable by 1 per cent. Accumulative Sinking Fund. Included in the Romero Arrangement.

1889.—Three and a-Half per Cent. External Sterling Bonds. Issued by Messrs. Stern Bros. in exchange for the outstanding Six per Cent. Internal (Hard Dollar) Bonds of 1863 and 1872. Rate £20. 10s. of the New, to every \$100 Old Bonds. £2,659,500 were given in exchange for \$12,973,200 of the Internal Bonds. Secured on the general revenues of the Republic. Redeemable by 1 per cent. Accumulative Sinking Fund by drawings at par, or by tender if under par. Included in the Romero Arrangement.

1890.—Northern Central Railway Bonds (2nd Issue). £2,976,000, bearing 5 per cent. interest, were taken up privately in Paris. Included in the Romero Arrangement.

1891.—Six per Cent. Funding Loan. Amount authorised £14,880,000. Specially secured upon the Customs Receipts, subject to the charges of the 1886-7 Loan. Service to be remitted monthly to London by the National Bank. The Coupons are receivable for Customs Duties during the year of their currency. Proceeds to be applied exclusively to the service (during 1891-2-3) of all External Loans or Obligations contracted by the Nation or (under conditions of the Law of 23rd January 1891) about to be contracted. It was laid down that, during the years that the External Loan Service was made by these Bonds, no fresh Loans or Guarantees could be contracted, and that the surplus of the revenue should be applied to the annual withdrawal from circulation of \$15,000,000 currency, and to a Reserve Fund for the amortisation of this Loan. Amount issued £7,630,680. Redeemable in 1921. Included in the Romero Arrangement.

1892.—Port of Buenos Ayres Five per Cent. Debentures.—Amount £2,000,000. Issued to the Concessionaire of the Port Works

in lieu of cash and as security for work done. Secured by first charges on the Port Works, on the revenue produced by them, and on the reclaimed lands and product of these lands when sold. Redeemable by 1 per cent. Sinking Fund. Included in the Romero Arrangement.

1892.—Buenos Ayres Water Supply and Drainage Works Five per Cent. Bonds. Issued by Government on rescission of the original contract, under which rescission the Company surrendered to the Government the work already completed, and bound itself to finish certain other work, the Government giving to the Company £6,324,400 5 per cent. Bonds secured upon these works and their revenue. The Company was in 1893 released by Government from its obligations, and its place was taken by Mr. J. B. Medici, who undertook the contract, the Government withholding in the meanwhile from the Company £372,000 of the £6,324,000 5 per cent. Bonds. The Bonds which are withheld are deposited in the Bank of England, and will be given to Mr. Medici on completion of his contract. The Loan is redeemable by a 1 per cent. Accumulative Sinking Fund, and is now included in the Romero Arrangement.

1893.—The Romero Arrangement.—In November, 1892, Señor Romero, the Minister of Finance, announced that the financial position of the Argentine Treasury would not, at the expiration of the Moratorium in January, 1894, permit of the payment in full of the Foreign Obligations contracted by the Republic. An Arrangement was effected, in July 1893, between the National Government and the Bondholders (these latter represented by a Committee appointed *ad hoc*, of which Lord Rothschild was Chairman) that payment should be made for the time being in the following manner:—

1. The Argentine Government to remit annually to the Bank of England from the 12th July, 1893, to the 12th July, 1898, inclusive, £1,565,000 for the payment of Coupons of the several Loans hereinafter mentioned.

2. The Argentine Government to remit to the Bank of England from 12th July, 1898, to 12th July, 1899, inclusive, the full amount of interest for the twelve months on the fourteen Loans specified hereinafter.

3. The Argentine Government to remit to the

different houses charged with the service of these specified Loans, from the 12th July, 1899, to 12th January, 1901, the full amount of interest payable on these Loans.

4. From and after the 12th January, 1901, the Sinking Funds on said fourteen Loans to be resumed, and the sums required for the entire service of said Loans (both interest and Sinking Fund included) to be remitted direct by the Argentine Government to the several houses charged with their service respectively.

5. In the event of the Six per Cent. Funding Loan being increased beyond £6,593,000, the excess required for the service of the increase to be remitted over and above the £1,565,000 per annum mentioned above.

The Loans affected by this Arrangement and the distribution of the annual remittance which each has to receive are shown as follows —

LOANS AFFECTED BY THE ROMERO ARRANGEMENT.

PART I.

No. of Loan.	Denomination.	Outstanding Amount	Names of Houses charged with the service of the Loans.
1	5 % Loan, 1886-7	7,582,000	La Banque de Paris et des Pays Bas and Baring Brothers & Co., Limited, and J. S. Morgan & Co.
2	5 % Waterworks Loan, 1892 ..	6,324,400	Baring Brothers & Co., Limited.
3	6 % Funding Loan, 1891 ..	*6,593,000	J. S. Morgan & Co.
4	6 % Railway Loan, 1881 ..	375,440	La Banque de Paris et des Pays Bas and Baring Brothers & Co., Limited.
5	6 % Buenos Ayres, 1824 ..	166,257	Baring Brothers & Co., Limited.
6	5 % Loan, 1884	1,471,500	La Banque de Paris et des Pays Bas and Baring Brothers & Co., Ltd.
7	5 % North Central Railway Extension	3,768,100	Baring Brothers & Co., Limited.
8	5 % Treasury Conversion 1887	585,150	Do. do.
9	5 % North Central Railway (and Issue)	2,863,680	J. S. Morgan & Co.
10	5 % Banco Nacional, 1887 (German Loan)	1,887,301	Disconto Gesellschaft, Berlin.
11	5 % Buenos Ayres Port	1,384,700	The London & River Plate Bank, Ltd.
12	4½ % Internal 1888, quoted in London	3,674,087	The Deutsche Bank and Baring Brothers & Co., Limited.
13	4½ % Sterling External Conversion Loan	5,000,080	Disconto Gesellschaft and Baring Brothers & Co., Limited.
14	3½ % Ext. Conversion Loan	2,447,280	Stern Brothers, &
		44,152,975	

* Issue since increased to £7,630,680.

PART II.

The Amount of the Remittance.	How to be Distributed.
From 12th July, 1893, to 12th July, 1898. £1,565,000 per annum.	<ol style="list-style-type: none"> 1. 4 per cent. per annum on the Loan No. 1. 2. 4 " per annum on the Loan No. 2. 3. 5 " per annum on the Loan No. 3. 4. On all the other Loans enumerated in Schedule 60 per cent. of the interest which was payable thereon at the time the payment in Funding Bonds was commenced.
From 12th July, 1898, to 12th July, 1899.	<ol style="list-style-type: none"> 1. 5 per cent. (being full interest for that year) to the Holders of Bonds of Loan No. 1. 2. The payments to the various Holders of Bonds of Loans Nos. 2 to 14 inclusive as in the previous five years. 3. A sum sufficient to recoup to the Holders of Bonds of Loan No. 1 the amount (viz. 1 per cent. per annum) deducted from their interest during the preceding five years. 4. The balance remaining unappropriated to the Holders of Bonds No. 3 towards arrears of interest.
From 12th July, 1899, to 12th January, 1901.	The full interest due on every class of Bond composing the National External Debt.
From 12th January, 1901, during the currency of the Loans.	The full interest on every class of Bond composing the National External Debt and the Sinking Fund in every case as provided by the conditions of Issue.

1886-96 Cédulas of the National Mortgage Bank.—These are Certificates to bearer issued by the National Mortgage Bank in lieu of cash to borrowers on real estate. They were first issued in 1886, when \$50,000,000 Currency were emitted in Cédulas, Series A, B, and C. In 1888 a second issue was made (Series D and E), amounting to \$40,000,000 Currency and a Gold Series A, amounting to \$20,000,000 Gold. A new Series (F) is now in course of issue. The Currency Series bear 7 per cent. and the Gold Series 5 per cent. interest. The latter, from October, 1891, to April, 1893, inclusive, were paid in Five per Cent. Internal Gold Bonds, which, with their Coupons, have since been redeemed in full. In October, 1893, cash payments were resumed. The principal is redeemable by a Sinking Fund not exceeding 2 per cent. These Cédulas are guaranteed by the Nation.

REPORT.

PROPOSED UNIFICATION OF THE ARGENTINE EXTERNAL DEBTS.

It will be remembered that in January, 1895, the Argentine Congress passed the Bill introduced by Dr. Terry, the

then Finance Minister, authorising the Executive to open negotiations with the creditors of the Province with a view to the assumption, by the National Government, of the Provincial Debts.

This Bill was only drafted on general lines, and no details were given as to the terms to be offered to the Provincial creditors. Subsequently, in October, 1895, the new Finance Minister, Dr. Romero, submitted a Bill to Congress containing a project for the Unification and Consolidation of the entire National and Provincial External Debts, together with the settlement of the National Railway Guarantees.

The principal provisions of this Bill were—The sum of \$380,000,000 National External Gold Bonds to be created bearing 4 per cent. interest and One per Cent. Accumulative Sinking Fund, the latter to commence in 1901 ; the Coupons to be receivable in payment of Customs duties.

The Bonds to be apportioned as follows:—

(1.) \$230,000,000 for the Conversion of the National External Loans outstanding which were estimated to amount to \$221,531,022, viz.—

	\$ Gold.
English Loan, 1824	837,935
Railway Loan, 1881... ..	1,892,217
National Bank Loan, 1882	7,416,360
Conversion of Treasury Bills Loan, 1887... ..	2,949,156
Hard Dollar Conversion Loan, 1889	12,334,291
Northern Central Railway Loan, First Series	18,991,224
" " " " Second Series	14,432,947
Madero Port Loan	6,978,888
Consolidation Loan, 1891	33,228,720
City Improvements Loan	31,875,000
National Bank Loan, 1886	9,512,000
Province of Buenos Ayres Loan, 1824-57	18,517,400
Public Works Loan	38,213,280
Six per Cent. Conversion Loan, 1888 ..	25,351,603
Total	222,531,022

(2.) \$85,000,000 to the Provinces with a view to the Conversion of the Provincial Debts, estimated to amount to \$137,261,859, viz.—

	Principal and Interest.					
	\$ Gold.					
Mendoza	5,888,596
San Luis	888,208
Catamarca	3,093,432
San Juan	2,109,398
Corrientes	6,411,290
Buenos Ayres	52,789,296
Tucuman	2,962,008
Cordoba	23,813,722
Santa Fé	21,956,603
Entre Rios	17,289,306
Total	<u>137,261,859</u>

(3.) \$35,000,000 for the settlement of the National Railway Guarantees.

(4.) \$30,000,000 to be reserved for the redemption of the Four and a-Half per Cent. National Internal Gold Bonds issued under the Free Banking Act as guarantee for the Paper Currency.

In introducing the above measure Dr. Romero stated that the full yearly service for interest on the Unified Debt of \$380,000,000 would be \$15,200,000, and when the Sinking Fund commenced in 1901 it would amount to \$19,200,000 gold.

Dr. Romero admitted that at the present time the nation would not be able to pay such a sum, but was of opinion that it could do so later on if the public money were handled carefully and the strictest economy observed.

He, however, calculated that, leaving out of the question the \$30,000,000 to be reserved for the redemption of the Paper Currency, and excluding a sum in Bonds of about \$15,000,000, which is at present pledged, and on which the

State would receive about \$600,000 interest, the total service of the Unified Debt might be put down at the outset at \$13,400,000. The present service on the National Debt was estimated to be :—

	\$ Gold.
Direct Debts	8,860,937
Railway Guarantees	2,000,000
Four and a-Half per Cent. Bonds (Interest now paid to the Provinces)	1,659,508
"Cauciones"	1,804,400
Total	<u>14,334,756</u>

From this should be deducted the amount the Nation receives on the Bonds pledged *en caucion*, about \$450,000, and it will be seen that the amount due at present would be sufficient to meet the service of the Unified Debt.

In 1901 the sum to be paid under the Unification Scheme by way of interest and amortization was reckoned at \$17,500,000, whilst if the Scheme were not carried into effect the sum payable would be \$14,277,677 in addition to the Railway Guarantees and the interest on the Four and a-Half per Cent. Internal Gold Bonds, making a total of \$17,877,096.

The above-mentioned Scheme passed the Chamber of Deputies, but failed to meet with the approval of the Senate.

A counter-proposal was introduced into the Upper House by Dr. Pellegrini from which the National Loans and the Currency Conversion were excluded. Full interest on the former was to be resumed on January 1st, 1897, the Sinking Fund being suspended on the condition that the whole Debt should be redeemed by 1935. For the settlement of the Provincial Debts and Railway Guarantees,

\$135,000,000 National Four per Cent. Bonds were to be set aside, the National Government to hand over to the Provinces an amount of these Bonds sufficient to settle with their External creditors, taking in exchange such assets of the Provinces as would pay the service on the National Bonds.

The Chamber of Deputies declined to accept these amendments, and the whole matter was postponed. Dr. Romero has, however, revived his scheme in a modified form in the present Session of Congress. Various counter-proposals have been introduced, but at the time of the publication of this Report, the Council are unable to state what decision Congress is likely to arrive at, or what terms will be offered either to the National Bondholders or to the Provinces in aid of the settlement of the Provincial debts. Although it does not appear probable that the Romero Scheme will become law, its details are of considerable interest, inasmuch as any measure that may be finally passed will probably be based on the same lines as regards the amount of New Bonds to be offered to the Bondholders.

A Bill dealing with the Railway Guarantees was passed by Congress in January, 1896; details are given on page 28.

INTERNAL DEBT (NATIONAL).

The following List, showing the various obligations which constitute the Internal Debt (National) and the amount of each in circulation on the 31st December, 1895, is taken from the Annual Financial Review, published by *La Prensa*.

Law authorising Loan.	Object of Loan.	Gold.	Paper.
2nd Sept., 1881	Payment of Soldiers of the Independence ...	...	\$ 383,574
30th June, 1884	Payment of Soldiers of the Independence and of Brazil ...	...	562,300
23rd June, 1891	National Internal Loan ...	...	26,154,200
16th Oct., 1892	Conversion of National Bank Shares ...	...	13,476,900
5th Jan., 1894...	Consolidation of Floating Debt ...	...	5,935,600
3rd Nov., 1887	National Guaranteed Banks	*90,248,500	—
29th Oct., 1891	Payment of Service due on National Mortgage Bank Shares ...	1,634,531	—
30th Oct., 1882	† Payment of Debt ...	...	3,884,514
31st Oct., 1884	† „ „ ...	...	9,455,250
22nd Nov., 1891	† Consolidation Loan ...	...	23,650,000
Total ...		\$91,883,031	\$83,502,338
Or reduced to Sterling at \$5.04 and 250 p ^m . =		£18,230,760	£4,733,692†

* In addition to this there are Bonds to the amount of \$69,314,000 deposited in the Caja de Conversion, on which no service is paid.

† These Loans were contracted by the Federal Municipality.

‡ At the present (July, 1896) Gold Premium of 185 = £5,859,813.

No recent figures are obtainable as to the Floating Debt. At the end of 1893 it was stated to be as follows:—

FLOATING DEBT.

	Gold.	Currency.
Amount at end of 1893 ...	\$ 13,517,732	\$ 20,460,334
Less Floating Debt Consolidation Bonds in circulation at end of 1894 ...	...	4,031,900
Less Arrears of Service on the Internal Four and a-Half per Cent. Bonds (Guaranteed Banks) ...	6,000,000	—
Total ...	7,517,732	16,428,434

REVENUE AND EXPENDITURE.

In opening Congress in May of the present year the President compared the Revenue for 1894 and 1895 as follows :—

REVENUE.

						1894.	1895.
						\$	\$
Gold	...	...	...	...	...	28,255,719	29,805,651
Currency	...	...	...	...	...	24,863,563	28,958,460

If Currency is reduced to Gold at a premium of 255 per cent. in 1894 and 250 per cent. in 1895, the two years compare as follows :—

REVENUE.

1894	...	...	...	...	...	\$ Gold 35,259,539
1895	...	...	...	...	...	\$ Gold 38,679,496

It is regrettable that details of the Revenue for 1895 are obtainable for the first eleven months of the year only, as follows, and that the figures, which are taken from the *Buenos Ayres Standard*, are approximate only :—

GOLD REVENUE.

FIRST ELEVEN MONTHS OF 1895.

						\$ Gold.
Import Duties...	...	...	...	...	...	22,467,000
Export	„	...	...	...	...	2,303,000
Storage	„	...	...	...	...	710,000
Wharfage	„	...	...	...	...	501,000
Lighthouse	„	...	...	...	...	151,000
Crane	„	...	...	...	...	134,000
Consular	„	...	...	...	...	83,000
Sanitary	„	...	...	...	...	31,000
Stamps, &c.	...	...	...	...	...	223,000
Interest on Stocks	...	...	...	...	...	583,000
Total						\$27,192,000

PAPER REVENUE.
FIRST ELEVEN MONTHS OF 1895.

	\$ Currency.
Land Tax	1,327,000
Licences	1,699,000
Stamped Paper	4,827,000
Post Office	2,085,000
„ Supplementary	207,000
Telegraphs	735,000
„ Supplementary	211,000
Port Railway Services	79,000
Water Rates	3,994,000
Central Northern Railway	683,000
Andine Railway	782,000
Chilecito Railway	145,000
Chumbicha Railway	37,000
Sundries	370,000
Fines	93,000
Lease and Sale of Land... ..	2,000,000
Spirit Tax	4,706,000
Beer Tax... ..	359,000
Match Tax	1,489,000
Wine Tax	155,000
Total ...	<u>\$25,983,000</u>

REVENUE FOR 1ST QUARTERS OF 1895 AND 1896 COMPARED.

1st Quarter 1895.		1st Quarter 1896.	
Gold. \$	Paper. \$	Gold. \$	Paper. \$
7,904,134	4,587,418	8,855,514	8,483,930

EXPENDITURE.

The Expenditure for 1895 is given in the President's message as follows:—

Gold	\$23,797,946
Currency	\$83,923,196

The details of the above are not yet to be had.

BUDGET FOR 1896.

The Budget for 1896 was presented to Congress on 5th August, 1895. The original and final estimates were as follows:—

REVENUE.

	Original Government Estimates.		Final Estimates.	
	Gold.	Paper.	Gold.	Paper.
	\$	\$	\$	\$
Import Duties ...	25,700,000	...	25,700,000	—
Export Duties ...	2,800,000	...	3,000,000	—
Storage ...	700,000	...	800,000	—
Port Dues ...	500,000	...	570,000	—
Light Dues ...	170,000	...	170,000	—
Crane Dues ...	150,000	...	150,000	—
Consular Dues ...	100,000	...	100,000	—
Sanitary Dues ...	36,000	...	36,000	—
Stamps ...	270,000	...	270,000	—
Interest on Bonds ...	622,000	...	622,000	—
Water Rates ...	...	4,000,000	...	4,000,000
Land Tax (30%) ...	...	1,500,000	...	1,500,000
Licences (55%) ...	...	1,600,000	...	1,600,000
Stamped Paper ...	...	5,200,000	...	5,200,000
Post Office ...	...	2,300,000	...	2,300,000
„ (supplementary) ...	...	200,000	...	200,000
Telegraphs ...	...	880,000	...	880,000
„ (supplementary) ...	...	160,000	...	160,000
Railway Port Service ...	...	70,000	...	70,000
Working of Verbales ...	...	30,000	...	30,000
Lease and Sale of lands ...	...	...	...	1,000,000
Fines and Sundries ...	...	...	...	700,000
Central Northern Railway ...	...	700,000	...	700,000
Andine Railway ...	...	740,000	...	740,000
Dean Funes Railway ...	...	120,000	...	120,000
Catamarca Railway ...	...	50,000	...	50,000
Special Laws ...	...	10,000,000	...	14,500,000
Spirit Tax ...	...	9,000,000	...	9,000,000
Beer Tax ...	...	500,000	...	600,000
Match Tax ...	...	1,500,000	...	1,600,000
Banks ...	...	700,000	...	—
Joint Stock Companies ...	...	300,000	...	300,000
Wine Tax ...	...	2,000,000	...	2,000,000
Card Tax ...	...	10,000	...	10,000
Tobacco Tax ...	...	8,000,000	...	8,000,000
	31,048,000	49,560,000	31,418,000	55,260,000

If we compare the above with the Revenue Estimates for 1895 it will be seen that the following items:—"Special Laws," "Working of Yerbales," "Joint Stock Companies," "Card Tax," "Tobacco Tax," and "Banks," are all new, the last of these being omitted from the final estimates. The large increase (from five to nine millions) in the Spirit Tax is the result of this tax having been doubled by Act of Congress in October, 1895. A considerable elasticity is looked for in the following taxes:—

					Estimates, 1895.	Estimates, 1896.
					\$	\$
Wines	...	...	...	...	100,000	2,000,000
Tobacco	...	...	...	...	Nil	8,000,000
Beer	...	...	...	...	460,000	600,000

EXPENDITURE.

	Original Government Estimates.		Final Estimates.	
	Gold. \$	Paper. \$	Gold. \$	Paper. \$
Congress	...	2,068,588.08	...	2,112,748.68
Interior	1,500,000.00	19,772,084.84	1,600,000.00	22,509,549.52
Foreign Affairs	345,280.00	595,328.00	372,280.00	635,448.00
Finance	...	6,292,140.16	...	7,439,414.88
Public Debt	13,646,203.42	9,943,033.83	13,839,058.18	9,943,033.83
Justice, Education, etc.	...	12,631,292.64	...	14,151,186.64
War	5,000,000.00	20,326,782.60	...	18,050,009.92
Marine	...	13,981,400.00	...	12,180,667.04
War and Marine (extraordinary)	...	...	...	18,000,000.00
	\$20,491,483.42	\$85,610,650.15	\$15,811,338.00	\$105,022,058.00

Compared with the Estimate for 1895 the above items all show an increase. In the Departments of War and Marine this is very pronounced, the amounts contrasting as follows :—

	Estimates for 1895.	Estimates for 1896.
	\$ Paper.	\$ Paper.
War	15,583,616	18,050,009
Marine	8,990,664	12,180,667
War and Marine (extraordinary) ... ..	...	18,000,000
Total ...	\$24,574,280	\$48,230,676

The threatened imbroglio with Chili over the boundary question was the cause of this increase, and it is satisfactory to learn that the difficulty is said to have been amicably arranged.

With gold at a premium of 220 per cent. over the paper currency, the Budget for 1896 shows a surplus of about 180,000 paper dollars, but this apparent surplus is only gained by the insertion under Receipts of the item "special laws," no particulars of which are furnished, and without which a deficit of some 14 million paper dollars would occur. But in addition to the extraordinary war expenditure provided for, Congress is said to have voted 10 million dollars gold, for the same purpose, in secret session, so that even if the estimate for "special laws" be realised, this secret session vote will still bring about a deficit of about 32 millions, and if the item is ignored, the result will be a deficit of 46 million paper dollars (say 14 million gold dollars, or not far from 3 millions sterling).

With gold at a premium of 185 (the present rate—July, 1896) these figures would be altered as follows:—The apparent surplus mentioned above would be changed into a deficit of about \$5,000,000 paper, and this deficit, allowing for the \$10,000,000 gold for extraordinary war expenditure and including “Special Laws” in the receipts, would be increased to about \$33,000,000, or, excluding the latter, to about \$47,500,000 paper (say £3,333,000 sterling).

The following Table compares the Budget Estimates for the years 1893, 1894, 1895 and 1896, and gives the actual returns for the first three years.

	Budget Estimates.		Showing a	Returns.		Showing a
	Revenue.	Expenditure.		Revenue.	Expenditure.	
1893. Gold Premium 225.	\$ Gold. 42,254,615	\$ Gold. 43,681,538	\$ Gold. Deficit of 1,426,923	\$ Gold. 38,268,122	\$ Gold. 42,805,824	\$ Gold. Deficit of 4,537,702
1894. Gold Premium 255.	39,906,245	35,811,374	Surplus of 4,094,871	35,259,539*	35,147,762	Surplus of 109,777
1895. Gold Premium 250.	38,127,685	36,679,571	Surplus of 1,448,114	38,079,496	47,776,002	Deficit of 9,696,506
1896. Gold Premium 220.†	48,686,750	48,630,625	Surplus of 56,125	—	—	—

* Some of the above figures, which were also given in the Appendix to last year's Annual Report, have been corrected from more recently published returns.

† At a gold premium of 185, the figures would be: Revenue \$50,807,473, Expenditure \$52,654,165, Deficit \$1,846,692.

The following Table shows the growth of Revenue since 1883:—

GROWTH OF REVENUE OF THE ARGENTINE REPUBLIC,
1883-95.

Year.	Pre- mium on Gold. per cent.	Average value of £1 in paper.	Paper Revenue in Dollars and Sterling approximately.	Gold Revenue converted to Sterling	Total Revenue, Paper plus Gold.
		Dollars.	Dollars. £	£	£
1883	At par	5	30,050,000 = 6,010,000	..	6,010,000
1884	do.	5	27,724,000 = 7,544,000	..	7,544,000
1885	143	12.25	34,416,000 = 2,981,000	..	2,981,000
1886	141	12.15	42,250,000 = 3,477,000	..	3,477,000
1887	138	12.00	51,582,000 = 4,298,000	..	4,298,000
1888	150	12.60	51,640,000 = 4,098,000	..	4,098,000
1889	197	14.96	72,903,000 = 4,872,000	..	4,872,000
1890	253	17.80	73,150,000 = 4,109,000	..	4,109,000
1891	277	19.00	73,557,000 = 3,871,000	99,424	3,970,424
1892	229	16.58	103,757,000 = 6,258,000	266,833	6,524,833
1893	224	16.32	99,383,000 = 6,097,163	1,537,701	7,622,663
1894	257	17.85	24,863,563 = 1,392,916	5,651,144	7,044,060
1895	250	17.50	28,958,460 = 1,654,769	5,961,130	7,615,899

NOTE.—The figures up to 1893 are from Vice-Consul Gastrell's Foreign Office Report. He remarks that in the years 1883 to 1890 separation of the amounts in gold and silver was not made, and that in the Annual Ministerial Reports to Congress, and in the Budgets, both were added together without any distinction, although the value of gold in paper currency had oscillated greatly. The amounts from 1893 are taken from official publications.

PRESIDENT'S MESSAGE.

In his message at the opening of Congress on 7th May, 1896, President Uriburu referred first to the frontier difficulty with Chili, stating that an arrangement had been signed on 17th April.

The following extracts from the Message are of interest.

POPULATION AND IMMIGRATION.

According to the census made on the 10th May of last year the population of the Republic is 4,090,000, of which 1,646,064 is urban. The entire census will be probably finished in 1897.

The increase of Immigration over 1894 was 6,506 souls.

TRADE.

In 1895 the balance of trade in favour of the country, that is to say, the excess of Exports over Imports, amounted to \$24,081,106 gold: our exports amounted to \$118,936,838 gold, against \$94,855,732 gold of Imports.

This foreign trade was carried by 6,496 steamers, which entered our ports with an aggregate tonnage of 5,461,468 tons, and 2,382 sailing ships, with 785,633 tons; the departures were 7,170 steamers, with 6,230,614 tons, and 2,945 sailing ships, with 780,609 tons.

EXPORTS

In our Exports the shipments of live-stock are assuming an important position, their value having amounted to \$9,052,772 gold. The Government has enforced certain regulations to prevent the export of diseased live-stock and to ensure their safe conveyance abroad.

IMPORTS.

Owing to the competition of National industries the importation of foreign articles is decreasing. The exaggerated credit of former years having been curtailed, the expenditure of the people has fallen off, and the results are seen in a balance of trade in favour of the country—Exports much exceeding Imports. The balance arises partly from imports of specie, which last year amounted to \$4,723,333 gold.

REVENUE.

Last year showed also some improvement in Revenue, viz:—

	1894.	1895.
Paper Revenue	\$ Paper 24,863,563	\$ Paper 28,958,460
Gold Revenue	\$ Gold 28,255,719	\$ Gold 29,805,351

Say an increase of \$4,094,897 in paper, and \$1,549,932 in gold. The Revenue of 1895 is, notwithstanding, less than that of 1893, which was \$21,860,124 paper and \$31,864,095 gold. I am glad to say, however, that if the Revenue of the first quarter of 1896 continues at the same rate, the figures for the present year will exceed those of 1893. The revenue of the first quarter, ending 30th March last, amounted to \$8,855,514 gold, and \$8,483,939 paper; but the above figures, so far as paper revenue is concerned, are not complete, and this will swell the figures for the next three quarters.

EXPENDITURE.

The expenses of 1895, authorised by the Budget and special laws, amounted to \$83,923,196 paper and \$23,707,946 gold.

ARMY AND NAVY EXTRAORDINARY EXPENDITURE.

Although the several laws for the organisation of the Army and Navy have necessitated much Extraordinary Expenditure, we have

been able to meet all our engagements, as well as the Ordinary Expenditure of the nation. At the same time several public works have been carried on without interruption.

REMITTANCES FOR SERVICE OF DEBT, ETC.

The service of the Foreign and Home Debt, as well as all the sums due for armaments, have been paid with the utmost regularity.

To meet the service on the Debt and the purchase of war vessels and war material, we remitted in 1895 and the first months of 1896 up to date the sum of \$25,000,000 gold.

Whatever deficit there was we supplied by our credit in the European markets on reasonable conditions, and I am able to announce to you to-day that the Argentine Minister in London has sufficient funds in hand to pay all the contracts of the Government for the purchase of war vessels and other war materials.

THE CURRENCY.

The appreciation of our circulating medium, which is a barometer of the credit of the State, is one of the greatest economic benefits we can desire, but this can never be achieved by empiric methods however well-inspired. Such appreciation must be the result of patient labour, based on sound government and assisted by the growth of National wealth.

It is also necessary that the financial situation of the country should be unembarrassed, and that the State should recover its credit in order to take up the arduous problem of giving a stable value to the paper money. Meanwhile the average gold premium in 1895 was several points lower than in 1894, and this improvement continues. This is, no doubt, due to peace at home and abroad and to the productive forces of the Nation. With strict compliance with our obligations, our credit has improved, the rise in stock quotations pointing to a revival of confidence. Any effort that we may make to maintain this improvement must be beneficial, and nothing could be more effective for that purpose than the liquidation, so far as is possible, of the past.

THE UNIFICATION BILL.

It is with this view that I have presented to you the Bill for unifying the National and Provincial debts. The Nation is under no obligation to deal with the latter, but I considered it advisable in the general interest, that the Nation should take over these debts, so that the Argentine States, freed from the intolerable burden of their External

Debts, may employ all their resources in improvement and progress, whilst at the same time all the legitimate demands of their creditors may be satisfied. This Bill is still before you, and I think that a definite settlement would improve the credit of the Nation.

BUDGET FOR 1897.

I shall lay before you the Budget for next year as soon as possible. I beg to impress on you the necessity of abstaining from votes that cannot be covered by a reasonable estimate of revenue, and I beg to remind you that besides the ordinary expenditure of the Government there are the extraordinary expenses authorised by special laws which must necessarily be met. I wish, and you will agree with me, that the Budget may be, as far as is possible in such matters, a reliable estimate of expenses and revenue.

CURRENCY.

With regard to the Currency question the *Buenos Ayres Standard* remarks that \$6,000,000 Paper Currency should be burnt yearly, and when Dr. Terry was Finance Minister the Caja de Conversion actually burnt \$500,000 per month, but the process does not appear to have been carried out, at any rate with any regularity, since Dr. Romero took office.

RAILWAY GUARANTEES.

The Railway Guarantee question, which, together with the continued default in the service of the Provincial and Municipal Debts, has for so long retarded the return of confidence in Argentine financial management, appears at last to be in a fair way of arrangement. The Unification Bill introduced by Dr. Romero into the Legislature last year and the counter proposals of Dr. Pellegrini contained provisions for a settlement with the Railway Companies. Although both these schemes as a whole were shelved for the remainder of the Session, Congress proceeded with

that part of them which related to the Railway Guarantees. Under a Bill introduced into the Legislature by Dr Zorilla, the Minister of the Interior, the Government created \$50,000,000 Gold Bonds, bearing 4 per cent. Interest with Sinking Fund of $\frac{1}{2}$ per cent., the said Bonds to be exchanged for Unified Bonds when such are issued and after settlement with the Guaranteed Companies, the balance of Bonds to be used to complete the Central Northern and other lines owned by the Government.

The Bill was finally passed by Congress in January, 1896, but the Chamber of Deputies amended it by re-establishing the power of intervention by the Government in the tariffs in the full sense of all the original contracts of guarantee, an alteration which has proved an impediment to a final settlement with some of the Companies.

The following Table, taken from *La Prensa's* Annual Report, gives the names of the Companies affected by the Bill and the particulars of the *ad referendum* arrangement in each case.

Line.	Guarantee.		Terms on which Guarantees are to be surrendered.		Terms on which Railways are to be surrendered.	
	Per Cent.	Years to run.	Amount of Four per Cent. Bonds to be handed to Rly. Companies.	Annual Service.	Amount of Four p. Cent Bonds to be handed to Companies.	Annual Service.
			\$ Gold.	\$ Gold.	\$ Gold.	\$ Gold.
Argentine North-Eastern	6	16	11,500,000.00	517,500.00	—	—
San Cristobal	5	51	1,776,476.87	79,941.42	10,400,000	468,000.00
East Argentine	7	19	3,780,000.00	170,100.00	—	—
Bahia Blanca and North-Western	5	16	2,292,817.00	103,176.65	—	—
Argentine North-Western to La Rioja	5	50	..	..	1,852,500	83,362.50
Villa Maria and Rufino ..	6	7	1,850,000.00	83,250.00	—	—
Buenos Ayres Pacific ..	7	13	1,900,000.00	85,500.00	—	—
Argentine Great Western	7	12	2,500,000.00	112,500.00	—	—
Totals .. ..	..	..	25,599,293.87	1,151,968.07	12,252,500	551,362.50

Total Four per Cent. Bonds \$37,851,793.87
 „ Services 1,703,330.57

In addition to the above lines, the Buenos Ayres and Valparaiso Transandine Railway and the Cordoba Central Railway hold Government Guarantees, but no *ad referendum* arrangements have, in these cases, as yet (June, 1896) been made with the Government.

In the cases of the Argentine North-Eastern, the Bahia Blanca, the Buenos Ayres Pacific, and the Villa Maria and Rufino, the Bondholders have approved the *ad referendum* arrangements, but in the case of the East Argentine the intervention of the Government in the matter of tariffs, referred to above, stands in the way of a settlement, and the Argentine Great Western proposal awaits the sanction of Congress before being submitted to the Bondholders.

FOREIGN TRADE.

The following Tables, which are taken from the Report published by the Argentine Government Statistical Department, show in round figures the total Exports and Imports from 1870 to 1895 :—

TOTAL EXPORTS, 1870-95.

	\$ Gold.		\$ Gold.
1870	30,200,000	1883	60,200,000
1871	27,000,000	1884	68,000,000
1872	47,300,000	1885	84,000,000
1873	47,400,000	1886	70,000,000
1874	44,500,000	1887	84,400,000
1875	52,000,000	1888	100,100,000
1876	48,000,000	1889	90,100,000
1877	44,800,000	1890	100,000,000
1878	37,500,000	1891	99,700,000
1879	49,300,000	1892	112,700,000
1880	58,400,000	1893	94,100,000*
1881	57,900,000	1894	101,000,000
1882	60,400,000	1895	119,000,000

* This figure does not coincide with that given in other official tables, inserted below.

TOTAL IMPORTS, 1870-95.

	\$ Gold.		\$ Gold.
1870	49,000,000	1883	80,500,000
1871	45,500,000	1884	94,000,000
1872	61,500,000	1885	92,000,000
1873	73,500,000	1886	95,500,000
1874	57,500,000	1887	117,000,000
1875	57,500,000	1888	128,500,000
1876	36,000,000	1889	164,500,000
1877	49,500,000	1890	142,000,000
1878	43,500,000	1891	67,000,000
1879	46,000,000	1892	91,000,000
1880	46,500,000	1893	96,000,000
1881	55,500,000	1894	92,700,000
1882	61,000,000	1895	94,800,000

This Table does not include the Specie Imported.

The following Tables show the Exports and Imports for the last three years under their respective heads:—

EXPORTS.

	1893.	1894.	1895.
	\$ Gold.	\$ Gold.	\$ Gold.
Live Stock	5,547,000	5,684,000	9,050,000
Pastoral Products	51,400,000	58,900,000	65,600,000
Agricultural „	30,930,000	34,050,000	41,450,000
Forest „	1,618,000	1,511,000	2,161,000
Mining „	349,000	312,000	339,000
Game „	781,000	381,000	173,000
Various „	890,000	443,000	186,000
Total	91,515,000	101,281,000	118,950,000

IMPORTS.

	1893.	1894.	1895.
	\$ Gold.	\$ Gold.	\$ Gold.
Live Animals	201,433	222,815	600,000
Comestibles	10,756,574	9,812,078	11,500,000
Liquor	8,329,097	6,953,564	8,800,000
Tobacco	405,529	343,622	1,200,000
Textiles	27,812,960	25,863,828	34,100,000
Ready-made Clothes ...	4,766,136	3,650,430	3,200,000
Chemicals	4,101,225	4,234,414	4,800,000
Lumber, etc.	4,890,077	5,387,532	3,800,000
Paper, etc.	3,127,894	3,194,506	2,200,000
Leather, etc.	845,238	650,219	600,000
Iron, etc.	13,036,578	14,251,133	9,800,000
Public Works Materials	3,279,648	1,913,730	2,000,000
Metals, etc.	1,576,806	1,653,721	1,500,000
Earthenware, etc. ...	2,359,451	2,542,710	2,200,000
Coal, etc.	6,868,846	8,781,051	6,300,000
Sundries	3,785,097	3,265,749	2,200,000
Total	96,142,589	92,724,102	94,800,000

It will be seen that although the 1895 Imports exceed those for 1894, they do not reach the 1893 figures, and are considerably less than those for the four years 1887 to 1890. The Exports are the highest for any recorded year.

Very remarkable increases appear in "Live-stock" and in "Pastoral" and "Agricultural Products." With regard to the last named the following remarks of Mr. Arthur Peel, of the Buenos Ayres Legation, are of interest:—

The capacity of the Argentine Republic to produce wheat may be almost said to have taken the world by surprise. It is comparatively but a short time ago that little or no consideration was given to the marvellous fertility of her soil, and to the great advantages she would naturally have over other countries in her large level plains, in the variety of her climate, in the absence of forests and other obstructions, and in her proximity to the sea-board and navigable rivers. One has

to look back no further than fifteen years to find that the area of cultivation did not amount to more than 180,000 acres, and that inasmuch as wheat figured amongst the articles of necessity, she was obliged to import to the extent of 177,000 tons. But since that period agriculture has crept on apace, until the area cultivated is now said to stand at 15,000,000 acres. And if the statement of Mr. Fleiss, who from time to time was appointed as an expert and official reporter both on behalf of the National and Provincial Governments, is correct, it appears that out of a total of 1,212,600 square miles, there are some 240,000,000 acres suitable for the purpose of production of wheat. When it is, therefore, taken into consideration that but 15,000,000 acres is the amount now computed to be given over to agriculture, it will readily be appreciated what an immense extent of land there still remains to be tilled.

On the question of wheat prices Mr. Peel said :—

The farmer can grow wheat at a profit to sell in London at 20s. per quarter ; he is enabled to do this in consequence of the high premium on gold ; were the price of wheat to fall any lower or the premium on gold to drop he would have to turn his attention to cultivating other more profitable produce. Moreover, were the country in a position to command more capital and more labour, the cost of production might be lower. As it is, owing to the absence of any remedial measures to meet the depression arising from the fall in prices, the farmer has no other course but to increase his production, and thus make up in quantity what is lost in value.

BALANCE OF TRADE 1893-4-5.

Year.	Exports.	Imports.	Balance in favour of
	\$ Gold.	\$ Gold.	
1893	92,337,333	100,843,209	Imports 8,505,876
1894	101,512,885	95,911,054	Exports 5,601,831
1895	118,936,838	94,855,732	„ 24,081,106

POPULATION.

As stated in the Council's Report for 1894 a Census took place in May, 1895, and according to *La Opinion* the results were as follows —

City of Buenos Ayres	662,763
Buenos Ayres Province	921,232
Santa Fé	397,632
Entre Rios	302,000
Corrientes	239,546
Cordova	351,346
San Luis	81,155
Mendoza	116,676
San Juan	84,964
La Rioja	69,228
Catamarca	90,187
Santiago del Estero	160,495
Tucuman	215,693
Salta	118,138
Jujuy	49,568
Misiones	33,005
Formosa	4,829
Chaco	10,280
Martin Garcia	656
Pampa	25,521
Neuquen	14,518
Rio Negro	6,153
Chubut	3,748
Santa Cruz	1,014
Tierra del Fuego	477
Total	<u>3,960,824</u>

The President's Message at the opening of Congress this year gives the total as 4,090,000. The above Table is, however, interesting, as showing approximately the Population of the various Provinces. The last recorded Census was in 1869, when, as the following Table shows, the population was 1,837,000. It has therefore more than doubled in 26 years:—

GROWTH OF POPULATION DURING PRESENT CENTURY.

Year.	Population.	Remarks.
1801	400,000	Estimated.
1822	650,000	Do.
1857	1,160,000	Do.
1869	1,837,000	Census of the whole Republic.
1895	3,960,824	Do. do.

GOLD PREMIUM.

The Table below compares the fluctuation of the premium on Gold in the years 1893, 1894 and 1895.

	1893.		1894.		1895.	
	High.	Low.	High.	Low.	High.	Low.
January	218	190	253	227	262	250
February	228	209	261	246	260	245
March	224	206	258	251	255	247
April	215	201	276	254	275	253
May	219	205	329	282	278	248
June	247	220	315	266	254	240
July	243	223	281	259	252	240
August... ..	258	236	276	238	239	232
September	260	246	239	210	230	214
October	243	213	244	223	234	219
November	229	213	269	237	238	229
December	229	219	277	247	235	229
Year	260	190	329	210	278	214

A downward tendency has developed during the present year, as shown below :—

1896.	Highest.	Lowest.
January	232	219
February	218	200
March	224	200
April	228	206
May	209	195
June	204	192

LOANS OF THE PROVINCE OF BUENOS AYRES.

Six per Cent. Loan of 1882-6 :—

Principal Outstanding	... ..	£3,660,100
Interest in arrear 1st April, 1891, to 1st July, 1896 (inclusive)	... ..	1,207,833
		<hr/> £4,867,933

Six per Cent. (Ensenada) Loan of 1883 :—

Principal Outstanding	... ..	2,064,900
Interest in arrear 1st October, 1891, to 1st April, 1896 (inclusive)	... ..	619,470
		<hr/> 2,684,370

Five per Cent. (German) Loan of 1886 :—

Principal Outstanding	... ..	2,364,012
Interest in arrear 1st July, 1891, to 1st July, 1896 (inclusive)	... ..	650,103
		<hr/> 3,014,115

Six per Cent. (Riachuelo) Loan of 1881 :—

Principal Outstanding	... ..	197,459
Interest in arrear 1st July, 1891, to 1st July, 1896 (inclusive)	... ..	65,160
		<hr/> 262,619
		<hr/> £10,829,037

Cedulas—

Principal Outstanding, approximate—

\$185,699,081 Currency	... ..	11,606,000*
\$3,329,000 Gold	... ..	665,800
Coupons and "Bonos" outstanding, say	... ..	2,000,000*
		<hr/> 14,271,800

Total £25,100,837

* Calculated on a Gold Premium of 220 per Cent. At the present (July, 1896) Gold Premium of 185, the amount of these two items respectively would be £13,031,564 and 230,000, and the total Debt £26,756,404.

Area, about	120,000 square miles.
Population (Census 1895)	921,232.
Capital, La Plata. Population	60,310
External Debt per head (Provincial only, including Cédulas)	£27. 5s.
External Debt per head (including Federal Debt)	£40. 4s.

Governor of the Province ...	Dr. Guillermo Udaondo.
Finance Minister of the Province	Dr. Horace Ferrari.
British Minister in Argentina ...	Hon. W. A. C. Barrington.
Envoy Extraordinary and Minister Plenipotentiary of the Argentine Republic in England	Don Luis L. Dominguez.

HISTORY OF PUBLIC DEBT (FOREIGN).

The External Loans of the Province of Buenos Ayres issued previous to 1880 were in that year assumed by the National Government of the Argentine Republic upon the federalisation of the City of Buenos Ayres.

The Loans prior to 1880 therefore no longer form liabilities of the Province.

The Loans issued since 1880, and which constitute the present External Debt of the Province, are as follows :—

1881.—Six per Cent. (Riachuelo) Loan. Original principal, £300,000, subject to an accumulative Sinking Fund of 3 per cent. This Loan was not issued to the public, but is held by Messrs. Stern Bros. Its object was the improvement of the Riachuelo Harbour, on which it was originally secured. The National Government, however, took over the Harbour in 1884, and the Provincial Government then substituted the security of State Lands, and the Loan was also converted into an External Loan.

In default since January, 1891.

1882-6.—Six per Cent. Loan. Issued by Messrs. Baring Brothers to consolidate the Debt of the Provincial Government to the Provincial Bank, and to place Interest and Sinking Fund on

a uniform footing. Original principal £4,098,300, of which £2,049,200 was issued in 1882 at 92 per cent. and £1,933,600 (being the unredeemed balance of the Loan) in 1886 at 88 per cent. Secured specially on the proceeds of the tax on Judicial Deposits and "Patentes," the Stamp Duties and Income Tax, and generally on the Revenues of the Province. The principal is redeemable by an accumulative Sinking Fund of 1 per cent. £379,300 Bonds have been drawn and not paid.

In default since January, 1891.

- 1883.—Six per Cent. (Ensenada) Loan. Issued by Messrs. Morton, Rose & Co. at 94 per cent., for the construction of the Port and Harbour of Ensenada. Original principal, £2,254,100. Secured specially on the Works and Revenues of the Harbour, the proceeds of the sales and rents of public lands and the surplus Revenues of the Railways of the Province, subject to their own charges, and generally on the Revenues of the Province. All dues of the Ensenada Port to be paid into the Provincial Bank of Buenos Ayres for the service of the Loan. In 1890 the Railways were sold without regard to the rights of the Ensenada Bondholders. Most of the public lands have also been sold. The principal is redeemable by an accumulative Sinking Fund of 1 per cent.

In default since April, 1891.

- 1886.—Five per Cent. (German) Loan. Issued in Germany at 80½ per cent. by the Deutsche Bank and others, to consolidate the Paper currency. Original principal, 50,045,738 marks (say £2,502,286). Secured on the nett earnings of the Bank of the Province. The principal is redeemable by an accumulative Sinking Fund in 37 years from 1886. Bonds to the amount of 2,753,000 marks (say £137,650) have been drawn but not paid.

In default since January, 1891.

- 1872 to 1889.—Cedulas of the Mortgage Bank of the Province of Buenos Ayres. Original principal, \$374,846,326 Paper, and \$4,911,100 Gold. These Cedulas, known as Provincial or Buenos Ayres Cedulas, to distinguish them from the National Cedulas, were issued upon the Mortgage of freehold property in lieu of cash. Interest on the different series of

Cedulas varies from 6 to 8 per cent., payable at Buenos Ayres, in national currency. They are redeemable by an accumulative Sinking Fund, varying from 1 to 2 per cent. per annum.

The service went into partial default in January, 1891, the Coupons falling due on that date, and in April and July, 1891, being paid partly in currency and partly in scrip. After July, and until October, 1892, Holders were offered "Bonos" (a sort of note of the Mortgage Bank), in exchange for their Coupons. The issue of "Bonos" was then discontinued, and the service has since remained in entire default. The liability of the Province for these Cedulas is admitted.

(For full particulars *re* dates of issue, interest, etc., see Report on Provincial Cedulas.)

BUENOS AYRES SIX PER CENT. LOAN OF 1883 (ENSENADA).

Principal outstanding	... ..	£2,064,900
6 per cent. Interest in arrear 1st October, 1891, to 1st April, 1896 (inclusive), 10 half- yearly Coupons at £61,947 per Coupon...		619,470

Committee of Ensenada Bondholders.

Gen. Sir Luther Vaughan, K.C.B., <i>Chairman.</i>	J. Macdonald, Esq.
Right Hon. Sir John Lubbock, Bart., M.P.	G. Brooke Mee, Esq.
J. W. Batten, Esq.	C. M. Rose, Esq.
D. G. Bruce-Gardyne, Esq.	E. Sloper, Esq.
F. C. Capel, Esq.	A. Tönnies, Esq.
Maurice Cohn, Esq.	<i>Secretary.</i>
Hon Sir C.W. Fremantle, K.C.B.	James P. Cooper, Esq.

REPORT.

All negotiations with the Provincial Government have been at a standstill during the past year owing to the proposals made by the National Government with regard to the Debts of the Provinces. (See under the head of Argentina, page 13.)

ENSENADA PORT STATISTICS.

In the *Buenos Ayres Standard* of 29th May, extracts are given from a Report on the trade, tonnage and earnings

of the Ensenada Port for 1895, compiled from official sources. The *Standard* estimates that with the continuance for a few years of the present management of the affairs of the Province, the Port will represent in value more than its total foreign Debt.

REVENUE FOR LAST FOUR YEARS.

Year.								\$ Currency.
1892	...	..	...	...	...	...	...	129,000
1893	...	...	..	...	...	...	...	170,000
1894	...	...	...	...	...	...	...	367,000
1895	...	...	...	...	...	...	...	721,000

The Revenue for 1895 was made up as follows:—

								\$ Currency.
January	...	...	...	...	...	...	...	25,318
February	...	...	...	...	...	...	...	38,306
March	...	...	...	...	...	...	...	64,746
April	...	...	...	...	...	...	...	62,308
May	...	...	...	...	...	...	...	64,898
June	...	...	...	...	...	...	...	59,489
July	...	...	...	...	...	...	...	85,587
August	...	...	...	...	...	...	...	81,272
September	...	...	...	...	...	...	...	77,073
October	...	...	...	...	...	...	...	56,870
November	...	...	...	...	...	...	...	58,908
December	...	...	...	...	...	...	...	46,635
								<u>721,617</u>

ARRIVALS OF FOREIGN VESSELS.

Year.		Steamers.			Ships.			Tonnage.
1892	...	240	...	...	66	...	...	479,195
1893	..	290	..	...	93	...	...	616,943
1894	...	367	...	..	185	...	...	820,640
1895	...	527	...	...	101	...	...	1,041,382

The trade of the dock has so much increased that new moles are required to facilitate the loading and unloading of vessels. The concessions already granted to shippers of live-stock and consignees of coal completely occupy the east side for fully 800 metres. On the west side the

large transatlantic steamers with packet privileges fill up fully half of the dock, and only that part facing the sheds is free for the loading of grain. The accommodation is so restricted that it causes the most serious inconvenience to shippers, who have frequently to pay demurrage both on ships and railway waggons for delays occasioned by the want of room for vessels at the dock side.

More covered sheds for wheat and other cereals are necessary, as the five at present in use are always full and quite insufficient for the requirements of the trade. At least ten sheds are wanted,

It will be seen from the figures given above that the earnings of the Ensenada Harbour are sufficient to pay a considerable portion of the interest on the Loan to which they are specially pledged. There can be little doubt that if the Port is handed over by the Province to the National Government, it will prove a most valuable asset. It may be mentioned that a letter was recently addressed by the Council and Committee to the Government of the Province, asking that the Provincial Government should in common honesty at least hand over the receipts of the Port to the Ensenada Bondholders. No reply has, however, been received to this communication.

The Council have recently been informed that the La Plata Legislature has passed a Bill authorising the Government to sell or rent lands adjoining the La Plata Port for the establishment of industrial enterprises, which will tend to benefit the provincial Capital. Easy terms of payment, extending over a period of ten years, are to be given.

Messrs. Bemberg & Co., the Bondholders' Agents, have

been instructed to ascertain if these lands form part of the Special Securities hypothecated to the Ensenada Loan, and, if so, to take steps to protect the Bondholders' interests.

It is not to be wondered at that the National Government is anxious to relieve the Argentine name from the slur cast upon it by the dishonourable behaviour of most of the Provincial Governments, and not least, that of the Province of Buenos Ayres.

BUENOS AYRES SIX PER CENT. LOAN OF 1882-6.

Principal outstanding	... ..	£3,660,100
Interest in arrear from 1st April, 1891, to 1st July, 1896 (inclusive) — 22 Quar- terly Coupons at £54,901. 10s. per Coupon		<u>1,207,833</u>
		<u>£4,867,933</u>

Committee of Buenos Ayres 1882-6 Bondholders.

The Lord Eustace Cecil, *Chair-
man.*

The Right Hon. Sir John Lub-
bock, Bart., M.P.

L. J. Baker, Esq.

S. C. Boulter, Esq.

F. W. Campion, Esq.

Hon. Sir C. W. Fremantle, K.C.B.

E. Johnstone, Esq.

R. B. Martin, Esq., M.P.

W. T. Morrison, Esq.

R. J. Neild, Esq.

C. Sligo de Pothonier, Esq.

L. Salomons, Esq.

Maj.-Gen. A. de C. Scott.

W. Trotter, Esq.

Secretary.

James P. Cooper, Esq.

REPORT.

The Bills introduced into the National Congress of Argentina with regard to the Provincial Debts have caused the negotiations with the Government of Buenos Ayres to remain in suspense during the past year. (See under the heading of Argentina, page 13.)

GOVERNOR'S MESSAGE.

The Provincial Chambers were opened on 13th May, 1896, by Dr. Udaondo, and, in the course of his Message, he referred to the following among other matters :—

EXTERNAL DEBT.

The Governor's remarks on this subject are to the effect that the National Government was led to initiate the great scheme of the Conversion and Unification of the National and Provincial External Debts in consequence of the credit of the Nation having been compromised abroad through the contraction of Loans by the Provinces on the European markets. In furtherance of this scheme negotiations had been carried on between the two Governments, and, although the proposed plans had been temporarily suspended, the Governor hoped that the matter would be settled by means "either of the projected Unification or of a direct arrangement with the creditors."

INTERNAL DEBT.

The Message gives the above as follows :—

	Capital.	Interest.	Total.
Gold ...	\$ 123,029.08	+ \$ 23,990.85	= \$ 147,019.93.
Paper ...	\$ 2,274,000.61	+ \$ 375,436.23	= \$ 2,649,436.84

FLOATING DEBT.

The amount of Treasury Bills in circulation on the 29th February, 1896, was as follows :—

			\$ Paper.
Held by Private Persons	...	...	2,359,505.28
Held by the Provincial Bank	...	...	4,415,609.83
Total	...		<u>\$6,775,115.11</u>

REVENUE AND EXPENDITURE FOR 1895.

The Governor says of the Revenue for 1895 that it points to a gradual improvement, and might be called satisfactory had the service of the External Debt been included, for out of the ordinary Revenue the expenses of Administration, the Service of the Internal Debt, and the execution of Special Laws, had been fully met, and even the Floating Debt had been considerably reduced.

The Revenue receipts for 1895 were \$13,126,667.50, which is \$2,369,639.50 more than the Estimate.

* The estimated Expenditure was \$9,278,511.71, but \$12,881,551.11 was actually expended, the difference being made up of—

Sundry Accounts	\$	2,357,547.67
Special Laws		1,258,491.77

Comparing actual Revenue with actual Expenditure the following result is shown :—

Revenue for 1895	\$	13,125,667.50
Expenditure for 1895		12,881,551.11
Surplus		<u>\$244,116.39</u>

The following figures compare the Revenue and Expenditure of 1895 and 1894, the latter being taken from last year's Annual Report :—

	Revenue.		Expenditure.		Surplus.
1894 ...	\$9,860,291.00	—	\$9,452,997.00	=	\$407,294.00
1895 ...	\$13,125,667.50	—	\$12,881,551.11	=	\$244,116.39

The Governor dwells on the improvement shown in the Revenue Receipts, which he attributes to better methods

* These figures are given exactly as in the Message, but it will be seen that there is a discrepancy of about \$13,000.

of collection. The returns from Stamped Paper, Industrial Licences and Property Tax exhibit a large increase, viz. :—

Stamped Paper	...	...	...	...	...	\$ 963,126.81
Industrial Licences	...	...	...	...	...	125,309.71
Property Tax	...	...	...	...	...	469,924.27

As already stated the whole of the Increase was expended under Special Laws and Sundry Accounts for purposes of the Government, the External Bondholders having in no way benefited from the improvement in the finances of the Province.

POPULATION.

The Census took place on 10th May, 1895, and on the basis of the figures then ascertained, the Message estimates the population at 944,795 on 1st January, 1896. (According to *La Opinion* of 28th December, 1895, the Census return for the Province was 921,232.)

LIVE STOCK.

According to the Census quoted in the Message, the figures under this head are as follow :—

7,204,767	Cattle.
1,679,225	Horses.
52,206,672	Sheep.

If these figures are compared with those for the whole Republic furnished in a report by Mr. Arthur Peel of the Argentine Legation, it will be seen that the Province of Buenos Ayres possesses the following very large proportions of the whole, viz. :—

About	Two-sevenths	of the Cattle.
„	One-third	„ Horses.
„	Two-thirds	„ Sheep.

LAND UNDER CULTIVATION.

The Governor quotes from an official publication that there are 1,440,893 hectares (say 3,560,446 acres) under cultivation in the Province, and the *Buenos Ayres Standard* gives the following particulars as to various crops cultivated :—

Wheat	...	...	...	...	...	Hectares	411,115
Maize	..	..	...	...	...	„	746,614
Linseed	...	...	...	...	...	„	69,043
Barley	...	...	...	...	...	„	29,735
Potatoes	...	...	...	...	...	„	9,796
Alfalfa	...	...	...	...	...	„	231,630
Vegetables	...	...	...	...	...	„	30,693

CEDULAS OF THE MORTGAGE BANK OF THE PROVINCE OF BUENOS AYRES.

Series.	Year of Issue.	Rates of Interest.	Accu- mulative Sinking Fund.	Amount Issued to September 30th, 1890.	Amount Outstanding, November 12th, 1894.
		%	%	\$ Currency.	\$ Currency.
A	1872-81	8	2	28,306,880	2,344,638
B	1872-75	8	1	1,128,195	111,910
C	1872-73	8	2	839,792	23,250
D	1872-73	8	1	297,807	49,793
*E	1881-83	6	2	16,728,202	6,702,834
F	1883-85	6	2	15,447,250	3,577,100
G	1885-86	7	1	14,198,150	4,301,050
I... ..	1885-86	8	1	19,690,950	14,596,050
J... ..	1886	8	2	24,941,650	19,070,650
K	1887	8	1	29,995,200	19,521,450
L	1887	8	1	29,937,950	12,174,500
M	1888	8	1	24,836,900	11,785,700
N	1888	8	1	49,825,850	21,971,250
O	1889	8	1½	49,566,650	24,621,450
P	1889	8	1	69,104,900	54,273,550
* Series E is believed to be pay- able in Gold.		Totals...	...	374,846,326	195,125,085
A	1889	6	1	\$ Gold. 4,888,900	\$ Gold. 3,330,000

NOTE.—The figures in the last column are the latest obtainable for the separate series, but according to returns made by the Mortgage Bank in October, 1895, the total amounts outstanding on 30th June, 1895, were \$185,699,081 paper, and \$3,329,000 gold. There were also reported to be \$24,000,000 paper and \$557,877 gold of matured Coupons, and \$6,615,822 paper and \$157,384 gold of Bonos in circulation at the same date. This would bring the grand total of the Bank's obligations at that date to \$216,314,903 paper and \$4,044,261 gold. This at the present (July, 1896) Gold Premium of 185 = £15,988,845.

Cedula Bondholders' Committee.

J. S. Ballin, Esq., *Chairman*.
 Right Hon. Sir John Lubbock,
 Bart., M.P.
 C. E. Barnett, Esq.
 W. H. Bishop, Esq.
 S. Cawston, Esq.
 Hon. Sir C. W. Fremantle, K.C.B.
 A. W. Latham, Esq.
 W. S. Salting, Esq.

Right Hon. Sir E. Thornton,
 G.C.B.
 Arthur A. Tilleard, Esq.
 General Sir Luther Vaughan,
 K.C.B.
 F. Hue Williams, Esq.

Secretary.

James P. Cooper, Esq.

Cedulas are documents issued to persons mortgaging their property to the Banco Hipotecario de la Provincia de Buenos Ayres. The Cedulas are received by the mortgagor at par in lieu of cash, and are realised by him at their current price on the market. The Bank charges 1 per cent. commission and is entitled to sell the property after 75 days' default in payment of the instalment of the service due by the mortgagor.

The Organic Law of the Province establishing the Bank forbids lending on other than first mortgage, or more than one-half of the assessed value of the property. The Cedulas issued were not to exceed the amount of the mortgage granted. Redemptions of mortgages might be made either in money or Cedulas of the same series as those issued to the mortgagor at par. The entire or partial release of any mortgage was to be simultaneous with the cancellation of a corresponding amount of Cedulas.

The Mortgage Bank is a branch or dependency of the Provincial Bank of Buenos Ayres. By a Law of January 9th, 1882, the Province of Buenos Ayres is responsible for the operations of the Mortgage Bank and this responsibility has been fully admitted by the present and former Provincial Governments.

Interest was duly paid until October, 1890, since which date various enactments have been passed by the Provincial and National Legislature to the injury of the rights of Cedula-holders under the Organic Law of the Bank.

Under these Laws the redemption of mortgages by Cedulas of any series bearing an equal or greater amount of Interest and Sinking Fund was permitted; a tax of 20 per cent. was imposed on the

Coupons of Cedulas (this Law was only applied to the January 1891 Coupons, and it is understood that it has been rescinded); the Mortgage Bank was for a time allowed to pay what it could in currency and the balance in scrip; debtors to the Bank were permitted to pay off part of their debts in "Bonos" (a kind of note of the Mortgage Bank) instead of money. Finally the National Legislature passed a Law in January, 1895, which was accepted as a Law of the Province of Buenos Ayres in the spring of 1896, with some additions granting a moratorium of five years to the Provincial Mortgage Bank, and not only affirming but extending the objectionable privilege given to debtors to pay their services and debts to the Bank, with the exception of commission, in the Bonds and Obligations issued by the Bank. In addition to this the Provincial Law with regard to the indiscriminate mixing of the various series mentioned above is expressly sanctioned by the National Government.

After the payment of the last Coupon in full in October, 1890, the following payments were made in 1891:—

January ...	80 %	in currency	(the Coupons being taxed at 20 %)
April ...	20	" "	and 80 % in scrip.
July ...	15	" "	and 85 % "

Since the last date no cash has been paid, but "Bonos" were for a time offered in exchange for the Coupons. The issue of "Bonos" has been discontinued since October, 1892.

According to the Report of the legal adviser of the Mortgage Bank, published in January, 1894, very serious irregularities have been committed with regard to the issue of Cedulas and in the administration of the Bank. (See Council's Annual Report for 1893, pp. 55 to 57.)

REPORT.

In view of the Bills introduced into the National Congress for the assumption by the Nation of the Debts of the Provinces, the Committee have done everything in their power to urge on the National Government the desirability of including the Cedulas of the Province of Buenos Ayres in the scheme of arrangement.

The following letter was addressed to the National Finance Minister on the 20th March, 1896.

COUNCIL OF FOREIGN BONDHOLDERS,
17, Moorgate Street, London, E.C.,
20th March, 1896.

His Excellency the MINISTER OF FINANCE
of the Argentine Republic, Buenos Ayres.

SIR,

On behalf of the Council of Foreign Bondholders and the Cedula Bondholders' Committee we have, in the course of the last two years, more than once appealed to the Argentine National Government to protect the interests of the holders of Cédulas of the Mortgage Bank of the Province of Buenos Ayres, but our appeals have, so far, not been successful.

The National Moratoria Bill, passed in 1895, has greatly aggravated the situation of the bondholders by giving legal sanction to proceedings that have been and still are particularly damaging to Cédula holders.

We desire again to impress upon your Excellency the necessity of making a reasonable arrangement with those we have the honour to represent, and we hope you will at once proceed to do this, as it is now more than ever manifest that the credit and the interests of the Argentine Nation are identified with those of the Provinces, and especially with those of the Province of Buenos Ayres, whose credit formerly stood so high.

The Council and Committee believe that a strong feeling of distrust in Argentine investments will continue to exist all over Europe so long as Buenos Ayres Cédulas are left without a reasonable settlement. Investors in Europe do not generally make any distinction between the Argentine nation and the Argentine provinces, and holders of Buenos Ayres Cédulas ascribe their own losses in a great measure to the general breakdown of Argentine finances, caused, as they believe, by the injurious acts of the National and Provincial Governments alike: and such holders constitute an important body arrayed in all the principal European money centres in opposition to Argentine Credit.

The Government and the Congress of the Nation are probably conscious of these facts, as the principle of including an arrangement of all direct Provincial Debts in the final settlement of the National

Debt has been embodied both in your Excellency's Unification Scheme and in the counter proposals of the opposition.

We have, however, indicated that neither of these contemplated schemes would have the desired effect if the holders of Provincial Cedulas were to be excluded from it, and any reason, however cogent, that might be adduced for such exclusion would not mitigate the damage to the National Credit that would certainly result therefrom. The argument has been used that the Provincial guarantee is only an indirect one, but no such distinction can be justified from a financial point of view since it appears hopeless to expect any recovery of the position of the Provincial Mortgage Bank, as it is well known that by far the largest part of its assets has been irrevocably lost.

The Province of Buenos Ayres may, therefore, be said to bear a definitive and unconditional charge of these Cedulas, stated to amount at present to more than \$150,000,000 in addition to coupons in arrear, for which the Province made herself responsible by law, by express statement printed on the Cedulas, and by repeated official declarations by her Government. If freed from her other debts by the assistance of the National Government or by any other means, the Province would still find herself face to face with the Cedula holders. Thus the most important Province of the Argentine Confederation would be here considered still insolvent, and the object of the National Government would not have been attained.

The harm done by other financial transactions cannot be compared in magnitude with the slur cast upon Argentine credit by this disastrous default of Provincial Cedulas, which recalls to everybody's mind unparalleled official blunders and robberies by which misery has been inflicted upon widespread circles of people in England, Belgium, Germany, France, Italy, and Spain.

So notorious are the grievances of those we represent, that it seems almost superfluous to recapitulate them, but we venture to enumerate some of the principal ones.

1. The reckless increase of issues of Cedulas in the years 1888 to 1890.
2. The lending on a basis enormously in excess of the real value of the properties mortgaged.
3. The granting of additional loans on mortgaged property (ampliaciones).
4. The indulgence given to negligent and dishonest debtors.

5. The acceptance of transfers of debts to penniless individuals, and on properties of little or no value.

6. The acceptance of "vales" instead of cash payments in liquidation of mortgages.

7. The successive alterations of the original charter, viz. :—

(a.) The admission of cancelments of mortgages by Cédulas of any series whatever.

(b.) The acceptance of payments with coupons, bonos, and certificates after the bank had suspended the service of the Cédulas, a proceeding by which the amount represented by mortgages on land has necessarily become smaller than the amount of Cédulas in circulation, which is in contravention of Article 12,417 of the Organic Law of 1871.

This extraordinary series of wrongs has been committed by Government officials, and protected by the highest political and legislative powers of the Province.

Some of these acts have been submitted to the investigation of the Courts by the present Government of the Province, and although the steps taken up to this date have scarcely given any practical result, they at least imply the official admission of the criminal character of these acts.

Lastly, we cannot help pointing to the heavy responsibility which the Argentine Republic has incurred by granting to the Provincial Mortgage Bank the Moratoria of 1895. The principle of the Bill was not opposed by our agents, Messrs. Tornquist & Co., because they were persuaded that it was intended as a simple provisional measure for the purpose of affording to the Provincial Government the time necessary for examining the situation of the Bank, and for preparing arrangements with the Creditors, and that it would be the best method of saving all interested parties from the confusion and hardships which might have arisen from isolated executive actions, or a sudden declaration of bankruptcy. We further understood that the Bill thus proposed was intended to prevent further cancelments of debts by coupons and to deal with the whole Bank in the most expeditious manner, but the National Congress gave to it a shape entirely opposed to the understanding thus arrived at between the Provincial Government and our representatives. In its actual form the Law does nothing but sanction the complete ruin of the Bank, and at the same time deprives the creditors of the possi-

bility of enforcing their rights against the Bank by legal action. The Law is to be in force during five years, whilst we are informed by our Agents that one year would have been sufficient to prepare and carry through any arrangement.

In short, we understand that the Moratoria granted is for use only as a weapon against the Creditors, and as such it constitutes a breach of faith for which we respectfully submit that the National Congress which voted the Bill, and the National Government which did nothing to prevent its sanction, must be responsible.

Under such circumstances it seems impossible to believe that the National Government should favour any Arrangement of the Provincial Debts which would leave outstanding the claims of holders of these Cedulas.

We, therefore, entreat Your Excellency, in the name of those we represent, to include the Cedulas of the Province of Buenos Ayres in any arrangement between the National Government and the Creditors of the Province, or to make some special provision whereby the claims of the holders of those Cedulas may be satisfied at an early date.

In making this appeal, we rely upon the foregoing weighty arguments, and still more upon the sense of equity and of National dignity to which we believe no claimant upon the Argentine Republic will appeal in vain, and we have confidence in addressing ourselves to Your Excellency who has done so much towards the restoration of Argentine Credit, and has always been conspicuous in dealing fairly and justly with the rights of foreigners.

(Signed) JOHN LUBBOCK,
Chairman, Council of Foreign Bondholders.

(Signed) J. S. BALLIN,
Chairman, Cedula Bondholders' Committee.

The Committee feel that they have good grounds for the appeal made in the foregoing communication, inasmuch as the National Government has assumed a direct responsibility in the matter, by passing the Moratoria Bill in spite of the Council and Committee's protests against the injustice of the measure.

The letter was extensively reproduced in the Argentine

press, and occasioned some extremely acrimonious comments, which do not appear to be warranted by the simple statement of facts embodied in it.

The Moratoria Bill, passed by the National Congress in January, 1895, was accepted by the Province in February of the present year, with some additional clauses referring to the mode of payment of the Bank's commission, and the re-establishment of penal interest. Some idea of its disastrous effects in depreciating the value of the properties hypothecated to the Cedula Holders may be gathered from an estimate, supplied by Messrs. Tornquist, that over 14 million dollars of the best mortgages were extinguished in the first three-quarters of 1895, against the presentation of about

\$3,000,000	of Cedulas.
\$9,000,000	„ Coupons.
\$2,000,000	„ Bonos.
\$60,000	„ Certificates.

The text of the Moratoria Law, as accepted by the Provincial Chambers, is here given—the text of the Law approved by the National Legislature having been published in the Appendix to the Council's Report of last year (pages 58-9).

[*Translation.*]

ARTICLE 1. The National Law No. 3214, promulgated January 19th, 1895, shall be accepted as a Law of the Province.

ARTICLE 2. The commission of 1 per cent. accruing to the Bank shall be payable in currency.

ARTICLE 3. The commission due prior to the promulgation of this Law can be paid altogether in Cedulas, and fractions in Bonds, Coupons or cash.

ARTICLE 4. Commission on Gold Mortgages to be satisfied as above, but subject to the following limitation:—when payment has to be effected in cash, 2 dollars currency to be considered equivalent to 1 dollar gold, and when in Bonds, 2 Paper to 1 Gold Bond.

ARTICLE 5. The penal interest of 1 per cent. monthly established by the Bank's Charter is hereby again put in force.

ARTICLE 6. Bonds and obligations issued by the Bank, shall, when matured, be received in commutation of penal interest.

ARTICLE 7. The Board of Directors cannot take any step without the approval of an absolute majority of its members, and the minutes must be signed by all present.

ARTICLE 8. Let it be communicated, etc.

THE PROVINCIAL MORTGAGE BANK.

The Statistics referring to Provincial Cedulas published in the Council's Report for 1894, are, on most points, the latest available. The following estimate as to the value of the Mortgages still outstanding is taken from a Report published by Señor Serna, Chief Engineer of the Technical Office of the Bank. Señor Serna divides the properties mortgaged into the following classes:—

1. Mortgages fully guaranteed.
2. Mortgages considered guaranteed up to 25 per cent. of their nominal value.
3. Mortgages considered guaranteed at less than 25 per cent. of their nominal value.

The figures may be summarised as follows:—

	Number of Properties.	Indebtedness of Bank.	Señor Serna's estimate of value.	Percentage of Real to Nominal value.
Class 1 ...	499	\$10,920,082	\$10,920,082	100%
„ 2 ...	694	88,877,883	22,221,971	25%
„ 3 ...	783	124,270,980	15,270,011	12%
	1,976	\$224,068,945	\$48,412,064	21½%

Governor Udaondo refers to the position of the Banco

Hipotecario in his message at the opening of the Provincial Chambers, in the following terms:—

The Banco Hipotecario, in the condition of liquidation into which it has been brought by circumstances, is pursuing its course in this respect by the application of the Law which you sanctioned concerning the basis of the moratorium which was granted to it by the Nation, and everything tends to justify the hope that it will not henceforwards meet with serious obstacles. That Law, which is still more favourable for the debtors than that issued by the Nation, has naturally been accepted by all, with very few exceptions, and they have commenced to carry out its provisions, since its recent promulgation, in a manner which allows us to see in advance how considerable will be the cancellation of mortgages during the present year.

I do not wish this to be understood as being tantamount to telling you that the Province has to congratulate itself on this result, because the prejudicial effects to which I alluded in my former Message, concerning the form of payment of the mortgages, will always weigh upon it; but if—as, in the face of the Law that has been passed, we are bound to believe—that is the only measure practicable for us at the present time, we are at least obliged to take care that these prejudicial effects do not assume excessive proportions, and the means of securing this depends, in a great measure, on the action of the Directorate of the Bank, which, if it is to prove efficacious, must be freed from its trammels.

In regard to this, I consider it my duty to inform you that the Directorate of the Bank is of opinion that some of the dispositions of that Law are not entirely in harmony with the purpose which the said Law appeared to have in view, and it has, therefore, applied to the Executive Power to have it remodelled, especially as regards the manner of selling properties which fail to cover their mortgages.

If (as is shown by the investigation of the mortgages recently carried out on the basis of the general valuation of all the properties upon which these mortgages are secured) out of, roughly speaking, the 180 millions of Cédulas and 30 millions of Coupons in circulation which bring the liabilities of the Bank to 210 millions, only about 100 millions can be considered as fully secured, and if the balance is secured only partially upon properties whose value is estimated at about 15 millions as against the 130 millions which this enormous balance amounts to, it is evident that what is urgently required to be done is to withdraw

from circulation as large an amount of Cedulas as possible, in order to prevent the huge increase in the liabilities produced every three months by the mass of coupons.

The Governor seems to congratulate himself on the favourable opportunity afforded to the debtors to free themselves, at a very small cost, from their obligations to their creditors. It is also difficult to understand why the Governor reckons 100 millions of the Cedulas as fully secured, as it appears from Señor Serna's Report that the properties mortgaged against the 90 millions odd in Class 2 in the above table are only worth 25 per cent. of their nominal value. It would also be interesting to know in which of the three classes should be included the \$36,000,000 Cedulas issued to the Provincial Government in respect of State lands mortgaged to the Banco Hipotecario.

The Council and Committee again deem it their duty to remind holders of Cedulas that, in cutting off the Coupons from their Bonds and selling them for a few pence in the dollar, they are putting into the hands of those who have mortgaged their properties to the Bank the means of ridding themselves of their debts at a trifling cost.

ENTRE RIOS.

EXTERNAL DEBT.

Loan.	Principal Out- standing.	Interest in arrear.	Total.
Six per Cent. Loan of 1886—	£ 731,800	£ ...	£ ...
Interest in arrear Jan., 1894, to July, 1896 (inclusive) ... ..	...	131,724	863,524
Six per Cent. Loan of 1888—	1,131,400	...	...
Interest in arrear Jan., 1894, to July, 1896 (inclusive) ... ..	...	203,652	1,335,052
Six per Cent. City of Paraná Municipal Loan of 1889—	197,400	...	...
Interest in arrear Feb., 1894, to Feb., 1896 (inclusive) ... ..	...	29,610	227,010
Five per Cent. City of Paraná Water- works Loan of 1889—	208,800	...	...
Interest in arrear Jan., 1894, to July, 1896 (inclusive) ... ..	...	31,320	240,120
Six per Cent. Funding Loan of 1891—	420,000	...	...
Interest in arrear July, 1894, to July, 1896 (inclusive) ... ..	...	63,000	483,000
Six per Cent. Funding Loan of 1891 (City of Paraná)—	61,640	...	...
Interest in arrear July, 1894, to July, 1896 (inclusive) ... ..	...	9,246	70,886
Five per Cent. Sterling Loan of 1891—	344,700	...	...
Interest in arrear August, 1894, to Feb., 1896 (inclusive) ... ..	...	34,470	379,170
Five per Cent. External Loan of 1891 (not issued to the Public)—	393,900	...	...
Interest in arrear Aug., 1894, to Feb., 1896 (inclusive) ... ..	...	39,390	433,290
Total £	3,489,640	542,412	4,032,052

Entre Rios Committee.

(Representing the Loans of 1886 and 1888, and the Funding Loan of 1891.)

Hon. Sir C. W. Fremantle
K.C.B., *Chairman*.

J. S. Ballin, Esq.

W. C. Beaumont, Esq.

Claude Bishop, Esq.

W. H. Bishop, Esq.

John Kincaid, Esq.

J. C. F. Lee, Esq.

Rt. Hon. Sir John Lubbock,
Bart., M.P.

F. H. Norman, Esq.

J. W. Philipps, Esq.

Secretary.

James P. Cooper, Esq.

Area 29,085 square miles.

Population about 300,000.

Capital, Paraná. Population, about... 25,000.

External Debt per head—Provincial
only £13. 9s.

External Debt per head, including
Federal Debt £26. 8s.

Governor... .. Dr. Salvador Maciá.

HISTORY OF THE DEBT (FOREIGN).

1872.—Seven per Cent. State Loan. Issued at 90 per cent. by Messrs. C. de Murrieta & Co. Original amount £226,800, Accumulative Sinking Fund of $2\frac{1}{2}$ per cent. Secured on the tax upon Saladeros (Slaughter Houses) and the proceeds of sales of Public Lands. The service of Interest and Sinking Fund was duly maintained until 1886, when the principal then outstanding (£95,600) was, together with the Debts of the Province, paid off by the Six per Cent. Loan of 1886. (See below.)

1885.—Six per Cent. (Entre Rios Central Railway) Loan. Original amount £1,530,800; issued, with respect to £700,000, in 1885 at $91\frac{1}{2}$ per cent., and with respect to £830,800, in 1886 at 94 per cent., by Messrs. C. de Murrieta & Co. Secured by a first mortgage on the Railway, the property tax, and the tax on animals, and by the direct obligation of the Province, the National Government undertaking to contribute one-half the

service of the Loan, not exceeding \$260,000 Currency. Accumulative Sinking Fund of 1 per cent. per annum. Default took place on the January, 1891, Coupon.

This Loan, together with the Six per Cent. Railway Loan of 1888 (see below) was in 1891 settled under an arrangement by which the Bondholders took over the Railways in exchange for their Bonds, receiving in addition from the National Government, £500,000 in Bonds of the Argentine Six per Cent. Funding Loan, and, from the Provincial Government, £300,000 in Five per Cent. Bonds. (See the Five per Cent. Sterling Loan of 1891 below.)

- 1886.—Six per Cent. External Loan. Issued at 91½ per cent. by Messrs. C. de Murrieta & Co. Original amount £800,000. Accumulative Sinking Fund of 1 per cent. per annum. Secured on the Revenues from Licenses and Stamps. Default took place on the January, 1891, Coupon.

Interest and Amortisation from 1st January, 1891, to 1st July, 1893, were paid in Bonds of the Entre Rios Six per Cent. Funding Loan of 1891. (See below.) The January, 1894, Coupon has not been paid.

- 1888.—Six per Cent. (Entre Rios Central Railway Extension) Loan. Original amount £1,745,600. Issued, as regards £950,000, at 95½ per cent. in January, 1888, and, as regards £795,600, at 99½ in September, 1888, by Messrs. C. de Murrieta & Co. Cumulative Sinking Fund of 1 per cent. per annum. Security the same as for the above-mentioned Railway Loan of 1885, but subject to the first charge thereon assigned to that Loan. Default commenced with the March, 1891, Coupon.

This Loan was included in the settlement made with regard to the 1885 Railway Loan. (See above.)

- 1888.—Six per Cent. External Loan. Issued at 97 per cent. by Messrs. C. de Murrieta & Co. Original amount £1,200,000. Issued under a Law of the Provincial Congress of 4th November, 1887, by which the Government was authorised to subscribe for shares in the Provincial Bank of Entre Rios to the amount of six million dollars, national money, and to pay for such shares in Public External Funds of the Province. Specially secured on all the profits to be received by the Government from those shares, and subsidiarily on the

general Revenues of the Province. The interest on the Four and a-Half per Cent. National Internal Gold Bonds held by the Bank was by Law included in the Guarantee for this Loan. Accumulative Sinking Fund of 1 per cent. per annum. Coupons and Drawn Bonds from 1st January, 1891, to 1st July, 1893, were, as in the case of the Six per Cent. External Loan of 1886, paid by the issue of Six per cent. Funding Bonds. The January, 1894, Coupon has not been paid.

1889.—Six per Cent. (City of Paraná Municipal) Loan. Issued at 95 per cent. by Messrs. Morton, Rose & Co. Original amount £198,412. Specially secured on public works to be constructed with the proceeds, and upon Revenues from the Municipal Licenses and Slaughter Houses—the general Revenues and property of the Municipality being also responsible. The Province of Entre Rios guarantees principal and interest, and undertakes in any event to pay one-half of service (say \$35,000 per annum). Accumulative Sinking Fund of 1 per cent. per annum. Coupons due 1st February, 1891, to 1st August, 1893, inclusive, were funded into a Six per Cent. Gold Loan of the Province. (See below.) Coupons due February, 1894, and subsequently are in default.

1889.—Five per Cent. (City of Paraná Waterworks) Mortgage Loan. Original amount £212,000. Issued at 92½ by the River Plate Trust, Loan and Agency Company, Ltd. Secured by (1) the mortgage of the Waterworks and its nett proceeds and receipts, including any tax for watering and waterworks; (2) the direct obligation of the Municipality, and (3) the guarantee of the Province of Entre Rios. Accumulative Sinking Fund of 1 per cent. per annum. Coupons due 1st July, 1891, to 1st July, 1893, inclusive were funded into a Six per Cent. Gold Loan of the Province. (See below.) The 1st January, 1894, Coupon is in default.

1891.—Six per Cent. (Funding) Loan. Original amount authorised £500,000; amount issued £420,000. Issued in 1892 and 1893 by the River Plate Trust, Loan and Agency Company, Ltd., to pay the service of the Six per Cent. Sterling Loans of 1886 and 1888. Redeemable after three and within thirty years from 1st January, 1891, by drawings at par, or purchase and tender when below par, at the option of the Government.

Guaranteed by the Revenues from Licenses. The Coupon due July, 1894, is in default.

1891.—Six per Cent. (City of Paraná) Funding Loan. Original amount £61,640. Issued on behalf of the Provincial Government by Messrs. Morton, Rose & Co., in 1893, to pay (1) 2½ years' interest (to 1st July, 1893, inclusive) on the City of Paraná Waterworks Five per Cent. Loan, and (2) three years' interest (to 1st August, 1893, inclusive) on the City of Paraná, Six per Cent. Municipal Loan, which Loans are both guaranteed by the Provincial Government. Secured on Revenues from stamped paper. Redeemable after three and within thirty years from September, 1891. Coupons due July, 1894, are in arrear.

1891.—Five per Cent. (Sterling) Loan. Issued, in respect of £300,000, to the Entre Rios Railway Company, Limited, and in respect of £50,000, in discharge of outstanding construction claims, by the River Plate Trust, Loan and Agency Company, Ltd. Secured by proceeds of the Property and Cattle Taxes, and by the general liability of the Province. Accumulative Sinking Fund of 1 per cent.

The Service of this Loan was suspended in August, 1894.

1891.—Five per Cent. External Loan. Original amount, £400,000. Issued by Messrs. Morton, Rose & Co. in settlement of advances made by London Bankers. These Bonds are similar in all respects to those of the above Five per Cent Sterling Loan of 1891. This Loan has never been placed publicly. The July, 1894, and subsequent Coupons are unpaid.

REPORT.

Owing to the measures introduced into the Argentine Congress with regard to the Debts of the Provinces (see remarks under Argentina, page 13), negotiations with the Government of the Province of Entre Rios have been in abeyance during the past year.

Dr. Lamarca has, however, informed the Committee that the Provincial Government will leave in the hands of the National Government, from the 1st of January, 1896, the

interest on the Four and a-Half per Cent. National Internal Gold Bonds held by the Provincial Bank and included by Law in the guarantee for the 1888 Loan, in order that it may serve in any arrangement which the National or Provincial Governments may make with the creditors. This interest amounts to about £62,000 per annum.

GOVERNOR'S MESSAGE.

The following are the chief items of interest in the Message of the Governor at the opening of the Legislature, on May 1st, 1896 :—

THE EXTERNAL DEBT.

During the year 1895 attempts were made to come to terms with the creditors, but the Government has always thought that the most convenient manner of definitely arranging the matter was that the Province of Entre Rios should be included in the unification of all the debts of the Republic projected by the National Government.

The Province has had no difficulty in intervening as far as it was concerned in the project of Arrangement, and its creditors tranquilly await the solution offered to them, satisfied that no arrangement will be effected which cannot be carried out, and which does not lie within our financial ability and our resources.

The Government looks forward with the greatest interest to the definitive solution of the National Unification project, because it believes it to be the most advantageous one, and because it is important that it should be quickly effected, seeing that on the arrangement of the External Debts depends not only the rehabilitation of our credit, but also the formation of secure bases for our administration and the regulation of our finances.

REVENUE FOR 1895.

Under this head the Governor makes the following remarks :—

The Budget for 1895 estimated the Revenue at \$4,282,000 and the receipts have been \$3,566,495.49, shewing a difference of \$715,504 51.

The principal decreases occurred in the Contribution Directa, the Provincial Bank Dividend, and Threshing Machine Licenses; the decreases in the first two would have raised the net deficit above that actually shown had they not been counterbalanced by an increase in other items of revenue.

Estimates of Revenue from the Contribution Directa have never been covered by actual receipts, and with all the greater reason in 1895, when the estimate was increased. The diminution in the Bank Dividend will be explained when I deal with that institution, and that in Threshing Machine Licenses is due to the disastrous harvest results.

Comparing the Revenue of 1894 with that of 1895, almost all the items show an increase, the total of these increases being \$402,598.28, nearly sufficient to cover the decreases shown in the Bank Dividend, the National Subsidy for Education, Vacant Heritages, and Threshing Machine Licenses, which together amount to \$454,282.75. The final result is an actual difference in favour of 1894 of \$51,684.47.

The following Table gives the details of the Revenue collected in 1895:—

	\$ Currency.
Property Tax	982,493.52
Licenses	408,786.32
Slaughter Tax... ..	459,886.66
Stamps	110,185.94
Stamped Paper	85,526.70
Land Bills	71,811.94
Provincial Bank Dividend	770,000.00
Arrears	83,375.38
Chemistry Office	67,298.52
Telegraphs	38,070.95
Brands	26,640.00
Bill Stamps	4,582.25
Fines	84,808.02
Lottery	18,000.00
National Education Subsidy	105,343.89
Vacant and Collateral Inheritances	17,393.90
Schools	6,318.00
Sale of Lands	41,094.55
Threshing Machine Licenses	61,100.00
Fuel and Timber Tax	32,000.00
School Funds (1894)	28,692.07
Sundries	56,928.84
Returns of Excess Payments	5,799.36
Bookkeeping Adjustments	358.68

Total \$ Currency 3,566,495.49

The Message states that the increase shown in nearly all the items is not due to additional taxation but to energetic collection of existing taxes. This is proved by the fact that the increases occur under those heads where the influence of the Executive can be brought to bear, whereas the decreases appear in items such as the Bank Dividend, for which the Government is not directly answerable.

EXPENDITURE FOR 1895.

The Message gives the following particulars under this head :—

Expenditure authorised by 1895 Budget.		Authorised by Special Laws and Decrees.		Total Expenditure authorised.
\$		\$		\$
4,279,588	+	529,416.09	=	4,809,004.09.

The actual Expenditure was \$3,710,659.32, which is \$568,928.68 less than that authorised by the Budget alone, and \$1,098,344.77 less than the total authorised. But this decrease in actual as compared with authorised expenditure was almost entirely due to the non-payment of the External Debt Service, for which the Budget provided \$1,000,000.

(With reference to the above it should be noted that the provision for the Debt Service was \$300,000 less than that for 1894, and with gold at a premium of 220 per cent. would be insufficient by £178,006, the service requiring annually £208,902 for Interest and £31,604 for Sinking Fund.)

Comparing actual Revenue with actual Expenditure in 1895, the following result is shown :—

Revenue	...	...	...	...	...	\$
Expenditure...	...	...	...	...	...	3,566,495.49
					...	3,710,659.32
				Deficit	...	<u>\$144,163.83</u>

BUDGET FOR 1896.

The Estimates for the year 1896, as passed by the Legislature in August, 1895, were as follows:—

ESTIMATED REVENUE.						\$
Property Tax	...	...	...	...	...	1,200,000
Licenses	...	...	...	...	...	420,000
Slaughter Tax	...	...	...	...	...	450,000
Stamps	...	...	...	...	...	110,000
Stamped Paper	...	...	...	...	...	96,000
Land Bills	...	...	...	...	...	65,000
Provincial Bank Dividend	...	...	...	...	...	1,302,880
Arrears	...	...	...	...	...	170,000
Chemistry Office	...	...	...	...	...	80,000
Telegraphs	...	...	...	...	...	40,000
Brands	...	...	...	...	...	30,000
Bill Stamps	...	...	...	...	...	10,000
Fines	...	...	...	...	...	95,000
Lottery	...	...	...	...	...	20,000
National Education Subsidy	...	...	...	...	...	96,000
Vacant and Collateral Inheritances	...	...	...	...	...	35,000
Schools	...	...	...	...	...	7,000
Sale of Lands	...	...	...	...	...	55,000
Threshing Machine Licenses	...	...	...	...	...	120,000
Fuel and Timber Duties	...	...	...	...	...	30,000
Surplus School Funds (1895)	...	...	...	...	...	40,000
Sundries	...	...	...	...	...	40,000
Returns of Excess Payments	...	...	...	...	...	30,000
Total	...	...	...	...	...	<u>\$4,541,880</u>

ESTIMATED EXPENDITURE.						\$
Congress	...	...	...	...	...	204,080
Government	...	...	...	...	...	1,324,412
Finance	...	...	...	...	...	1,979,508
Justice	...	...	...	...	...	341,608
Subventions, Pensions, etc.	...	...	...	...	...	125,906
Education	...	...	...	...	...	509,820
Scholarships and Subventions to Private Schools	...	...	...	...	...	50,280
						<u>\$4,535,614</u>

SUMMARY.						
Estimated Expenditure	...	...	...	...	...	\$4,541,880
„ Revenue	...	...	...	...	...	<u>4,535,614</u>
Estimated Surplus	...	...	...	...	...	<u>\$6,266</u>

The Governor, however, anticipated that this estimated surplus would be converted into a deficit, it being ne-

cessary during the present year to devote the interest on the National Public Funds to the service of the External Debt, as it was quite impossible to keep this latter any longer in a state of suspension. Eliminating the amounts that these items represented, he stated that the Government would really have to meet an Expenditure of \$3,535,614 with a Revenue which would be, at most, ... 2,796,490

thus leaving a deficit of \$739,124

It was hoped that by effecting economies to the amount of \$600,000 authorised by a Decree dated 24th January, 1896, the above estimated Deficit might be reduced to \$139,124. On the other hand, Special Laws must be taken into account, and, calculating these on the scale of former years, the Governor finally estimated that there would be a deficit of \$900,000.

To remedy this, no new taxation is projected, but it is intended to modify existing laws in order to remove certain inconveniences observed in their application.

ACTUAL REVENUE AND EXPENDITURE 1883 TO 1895.

	Revenue.	Expenditure.	Deficit.	Surplus.
	\$	\$	\$	\$
1883 ...	821,758.31	1,065,527.25	243,768.94	...
1884 ...	1,120,002.28	1,336,388.10	216,385.82	...
1885 ...	1,201,850.32	1,378,165.94	176,315.62	...
1886 ...	1,185,795.64	1,482,391.81	296,596.17	...
1887 ...	1,442,122.43	2,095,533.65	653,411.22	...
1888 ...	2,225,294.35	4,378,350.38	2,153,056.03	...
1889 ...	2,859,549.53	3,943,778.39	1,084,228.86	...
1890 ...	2,902,240.64	5,971,589.82	3,069,349.18	...
1891* ...	2,215,803.93	1,872,037.87	...	343,766.06
1892 ...	3,296,178.48	3,071,617.78	...	224,560.70
1893 ...	3,591,790.13	4,321,447.72	729,657.59	...
1894 ...	3,618,179.96	3,616,735.73	...	1,444.23
1895 ...	3,566,495.49	3,710,659.32	144,163.83	...

* Suspension of Debt Service.

IMPORTS AND EXPORTS.

No fresh figures are available beyond those given at page 77 of last year's Annual Report.

INTERNAL DEBT.

In connection with this subject the Governor's Message states :—

Under this head are included the State's Debt to the Bank incurred up to the 31st December, 1894, and the 5th and 6th Emissions of Public Funds.

By arrangement made in June, 1895, with the Directorate of the Bank of Entre Rios, the balances due by the State to the Bank to 31st December, 1894, were combined in one single account to the total amount of \$6,208,429.92.

Against this Debt have been set off \$604,311.86 and \$175,688, the proceeds of dividends due to the State by the Bank in 1894 and 1895 respectively.

Both these amounts represent the reduction which, by the Budgets of 1894 and 1895, the State should make in its original Debt to the Bank, which was thus diminished to \$5,428,429.92.

The 5th Emission consists of the \$890,000 in Public Funds handed over to the Provincial Bank of Entre Rios in payment of the 8,000 Shares, which represent the \$800,000 contributed by the State towards the original capital of the Bank. The payment of interest and Sinking Fund has been maintained with all regularity and the balance at the present time is \$795,032.65.

The 6th Emission is that authorised by the Law of 2nd September, 1892, and is intended to cover the Debts incurred prior to 1st January, 1891, which the said Law specifies. It is of the amount of \$2,500,000 and stands as follows :—

		\$ Currency.
In Circulation	... ..	1,627,150
Redeemed	... ..	287,700
In the Office of the Credito Publico	... ..	585,150
		<u>\$2,500,000</u>

The Service of Interest and Sinking Fund of this Emission has

been punctually maintained, and the amounts redeemed have been immediately destroyed in the proper manner.

THE PROVINCIAL BANK.

The Message enters fully into the position of the Bank. After alluding to the transfer of the Shares to the Provincial Government, which commenced after the promulgation of the Law of 29th November, 1894, and to the nomination of a definitive Directorate by the Senate on the 22nd June, 1895, the following details are given:—

The (gross) profits for 1895 were \$1,469,034.10. From these were deducted—Losses, \$30,450.46; Administrative Expenses, \$111,978.87; Amortisation of General Accounts, \$71,791.29; Special Reserve, \$254,813.48; Fondos de Prevision, \$150,000; and Legal Reserve Fund, \$80,000—total, \$699,034.10, leaving a nett balance in favour of the State of \$770,000, which was paid into the Treasury.

This last sum represents 8.72 per cent. on the capital of the Bank subscribed by the State. Compared with last year, when the profits were \$1,149,163.21, or 13 per cent., the diminution is enormous, but it is accounted for by the fact that in 1895 the State was not, as in former years, charged with the interest on all its debts to the Bank. Had this been done, the profits would have amounted to 14.88 per cent., or \$544,425.12 more than the \$770,000—or a total of \$1,314,425.12, which would have been greater than the Budget Estimate and also the greatest nett profit of any year.

POPULATION.

According to the General Argentine Census of 1895, the population of the Province was 291,324, but the Governor estimates that 2 per cent. of the population was not included, thereby raising the number to 297,150. Taking into account the known surplus of births over deaths up to May 1st, 1896, the number of inhabitants at the latter date is given as 305,886. According to the Census, 62,968 are foreigners. The number of immigrants in 1895 was 2,133.

LIVE STOCK.

This is still the principal industry of the Province, and the Message gives the total Live Stock as 9,677,671 head, made up as follows :—

Cattle	...	...	...	...	...	2,639,416
Horses	...	...	...	...	...	511,220
Sheep	...	...	...	...	...	6,429,522
Pigs	...	...	...	...	...	53,618
Various	...	...	...	...	...	43,895

The total value of the live-stock in Entre Rios is returned at nearly \$74,000,000.

LAND UNDER CULTIVATION.

The area of land suitable for cultivation is given as 992,253 hectares (say 2,450,000 acres) out of a total area of 7,533,121 hectares (say 18,600,000 acres). The land under cultivation is 422,647 hectares (say 1,045,000 acres).

AGRICULTURE.

The disastrous result of recent harvests is shown by the figures in the following Table, the first two columns of which are taken from the Message, and the third has been added to show the yield per hectare :

		Hectares under wheat- cultivation.	Yield in tons.	Yield in tons per hectare (2'471 acres).
Harvest 1893-4	...	284,000	331,500	1.167
„ 1894-5	...	312,250	173,200	.554
„ 1895-6	...	281,796	*69,000	.244

* Although this tonnage gives the result of threshing to the end of March only, yet, the Governor says that, as is well known, very little threshing is done in April, and the figures may, therefore, be taken as practically the final yield for the 1895-6 harvest.

In spite of the poor result of the 1895-96 harvest shown above, the Message states that more land than ever is being ploughed for cereals, the following being an exact statement of the areas sown for the 1896-7 harvest:—

Wheat	...	...	...	...	...	Hectares	281,796
Linseed	...	...	...	...	...	"	39,617
Maize	...	...	...	...	...	"	72,842
Barley	...	...	...	...	...	"	5,145
Potatoes	...	...	...	...	...	"	774
Beans	...	...	...	...	...	"	1,781
Vines	...	...	...	...	...	"	3,096
Mani	...	...	...	...	...	"	4,612
Tobacco	...	...	...	...	...	"	131
Vegetables	...	...	...	...	...	"	2,146
Alfalfa	...	...	...	...	...	"	18,230
Various	...	...	...	...	...	"	5,316
Total	...					Hectares	435,486

COLOMBIA.

Principal of 4½ per Cent. External Bonds			
of 1873 in circulation ...	...	£1,913,500	0 0
Arrears of Interest:—			
October 1st, 1879, to July 1st,			
1896, inclusive ...	...	1,522,428	8 9
Balance of Coupon No. 26 unpaid			
@ 1s. 9d. per cent. ...	...	1,679	18 3
Coupon Certificates, 1st to 4th			
Coupons ...	...	8,665	6 0
Total ...	...	£3,446,273	13 0

Colombian Committee.

The Right Hon. Sir John Lub-	Charles Penruddocke, Esq., J.P.
bock, Bart., M.P., <i>Chairman</i> .	Christopher Rowlands, Esq.
J. Abbott, Esq.	Hermann Schmidt, Esq.
C. De Bels Brownlie, Esq.	C. Surgey, Esq.
M. Castello, Esq.	Gen. Sir J. Luther Vaughan,
W. Freke Evans, Esq.	K.C.B.
Roger Eykyn, Esq.	
Hon. Sir C. W. Fremantle, K.C.B.	<i>Secretary.</i>
L. R. Lack, Esq.	James P. Cooper, Esq.

Area ...	513,900 square miles.
Population, estimated at about...	4,000,000
Capital, Bogotá. Population about ...	100,000

External Debt, per head (inclusive of
interest in arrear) ... 17s. 3d.

President Don M. A. Caro.
 British Minister and Consul-General in
 Colombia
 Secretary of Legation and Chargé d'Affaires
 of Colombia in Great Britain Don D. J. Reyes.

HISTORY OF THE DEBT (FOREIGN).

The Country, now known as the Republic of Colombia, has since its secession from Spain changed its name no less than five times.

1820.—At the time when its first foreign obligations were contracted it was known, in conjunction with the now independent Republics of Ecuador and Venezuela, by its present title of the Republic of Colombia. In this year the Vice-President, Señor Zea, came to London and issued transferable Debentures to the creditors of the Republic, bearing 10 per cent. interest if paid in England and 12 per cent. if paid in Colombia.

1821.—Default was made on the first payment of interest.

1822.—One year's interest was paid on £1,759 of these Debentures presented for payment in Bogotá, and in the same year Señor Zea contracted with Messrs. Herring, Graham & Powles for the emission of a Loan of £2,000,000 at 80, bearing 6 per cent. interest. The object of the Loan was to pay off the 1820 Debentures, and to obtain funds for the prosecution of the War of Independence. It was agreed that sufficient of the proceeds should be left with the Contractor for the payment of the first three half-yearly Coupons. Debentures and accumulated interest to the amount of £777,220 were paid off. Almost immediately after the Loan had been taken up, the Colombian Government endeavoured to invalidate Señor Zea's powers by declaring him to have no longer authority to raise a loan. A Meeting of the Bondholders, however, confirmed the opinion of counsel taken upon this point, which asserted that the Republic was responsible, inasmuch as their repudiation of their representative had not been published before the raising of the Loan.

1824.—A Loan of £4,750,000, bearing 6 per cent. interest, was issued by Messrs. R. A. Goldschmidt & Co. at 88½. This Loan was also for the purpose of carrying on the War of Independence.

1826.—Both the preceding Loans went into default.

1832.—The Republic of Colombia was split up into three separate Republics, which were styled respectively New Granada, Ecuador, and Venezuela.

1834.—A Convention was concluded between the three new Republics, by which the Debt of the old Republic of Colombia was assumed by each of them in the following proportions :—

Republic.	Proportion of Debt Assumed.	Amount of Principal Assumed.	Amount of Interest Assumed.	Totals.
	Per cent.	£	£	£
New Granada	50	3,312,975	1,590,175	4,903,150
*Ecuador	21½	1,424,579	683,775	2,108,354
*Venezuela	28½	1,888,396	906,400	2,794,796
	100	6,625,950	3,180,350	9,806,300

* The subsequent history of the Debts of these two Republics is dealt with under the corresponding Reports.

1834-44.—The interest on the Debt as distributed above remained in default during this period.

1845.—An Arrangement was concluded with New Granada on the following bases :—

(1.) Issue of New Active Bonds for the principal of the Debt, which appears to have been fixed at £3,312,975, bearing 1 per cent. interest for four years, increasing ¼ per cent. per annum until the maximum 6 per cent. was reached.

(2.) For the arrears of interest Deferred Bonds were given so as to form a capital of 100 per cent. on the

original Debt. At the end of 16 years interest was to be paid at the rate of 1 per cent., increasing $\frac{1}{2}$ per cent. per annum until 3 per cent. was reached.

(3.) The securities assigned for the interest were the nett Revenues derived from the Tobacco Monopoly and one-half of the Customs Receipts. Both descriptions of Bonds were receivable at par in purchasing any National property.

1848-9.—For the Coupons due January 1st, 1848, Treasury Bills at 1 per cent. per annum were issued. For the Coupons due 1st June and 1st December, 1849, Treasury Bills, bearing $1\frac{1}{2}$ per cent. interest were issued by the New Granada Government.

1850-4.—The Coupons remained unpaid.

1855.—The Coupon due 1st June, 1850, was paid by Messrs. Baring.

1856.—The Government of New Granada received from Peru \$906,000 in Peruvian $4\frac{1}{2}$ per cent. Bonds in cancellation of a Debt due to the old Republic of Colombia. These Bonds were issued to the Holders of New Granada Bonds in exchange for Coupons due from December, 1850, to June 1853, inclusive.

1858.—With the formation of a new Constitution the Republic abandoned the title of New Granada, and assumed that of the Granadian Confederation.

It will be seen that no interest had been paid in cash on the Debt since the Coupon of June, 1850, the last Coupon to which anything was applied being June, 1853, which was included in the distribution of Peruvian Bonds in 1856.

1861.—An Agreement (styled the Convention of Paris) was entered into in October, 1861, between the Holders of the Debt and the Government of the Granadian Confederation (which during this year, changed its name to the United States of New Granada) by which it was arranged that the Debt should be liquidated as follows :—

(1) All interest due on the Active Bonds of the 1845 Conversion to be converted into Active Debt, and Bonds bearing interest at 2 per cent. per annum from 1st Decem-

ber, 1860, to 1st December, 1866, and 3 per cent. afterwards, to be issued in acknowledgement of such interest.

(2.) Twenty-five per cent. of the Import Duties from 1st December, 1860, to 1st December, 1866, and $37\frac{1}{2}$ per cent. of these Duties afterwards, to be appropriated for the payment of interest on the existing Active Debt augmented by the New Debt mentioned above, and on the Deferred Debt of 1845 ; one-tenth of such proceeds to be applied to the redemption of said Debts.

(3.) Thirty hectares of land to be assigned to each £100 Bond of Active Debt, and sixteen hectares to each £100 Bond of Deferred Debt of 1845.

1863.—A Loan was contracted with the London and County Bank for £200,000 with 6 per cent. interest. This Loan should have been redeemed in 1874, but was not liquidated till 1881. The special security was 15 per cent. of the gross Revenue of the Salt Mines. An additional security was the hypothecation to the Bondholders of the right possessed by the Republic to redeem the Panama Railway in 1875, under terms of Article 2 of the Concession. In this year the Republic changed its name to the United States of Colombia.

1873.—A new Arrangement for the Conversion of the External Debt of the Republic, which, with accumulated interest arrears, amounted to about £6,630,000, was entered into under the following conditions :—

£2,000,000 New Bonds bearing $4\frac{1}{2}$ per cent. interest till 1878, $4\frac{3}{4}$ per cent. thereafter, and 5 per cent. as soon as the Customs Receipts reached \$3,000,000, to be given in exchange for the Bonds of the Old Debts.

The rate of apportionment was as follows :—

Each £100 Active (1845 Conversion) to receive £34 New Bonds.

Each £100 Deferred (1845 Conversion) to receive £17 New Bonds.

Each £100 3 per cent. (1861 Paris Convention) to receive £66 New Bonds.

The Loan was redeemable from 1878 at par by a $1\frac{1}{2}$ per cent. Sinking Fund. In the event of the service of the

Debt remaining in default for four consecutive quarters, the Creditors to be entitled to the conditions stipulated by the Paris Convention of 1861. The Customs Receipts were hypothecated for the service of the Loan, and 2,000,000 hectares of land were given in compensation for the loss of interest under the Conversion. £200,000 Bonds out of the total of £2,000,000 were reserved in order to form the Capital of a Land Company, Certificates being issued by the London and County Bank in place of these Bonds. Four quarterly coupons, equivalent to £4. 10s. per cent., were cut off these Bonds to provide for the expenses of the Conversion which the Government refused to defray. The Bondholders, however, subsequently decided to abandon the land project and the reserved Bonds were handed back against the return of the Certificates. The Council then issued Certificates of Claim for the £4. 10s. per cent. paid by the Bondholders for the expenses of the Conversion. The expenses of the Debt service were also thrown on the Bondholders.

1879-80.—The 25th Coupon, due the 1st April, 1879 (payable the 1st July), was paid in full, and 22s. per cent. on account of the 26th Coupon, due the 1st July, 1879 (payable the 1st October). The Council issued Certificates of Claim for the balance of 1s. 9d. per cent. unpaid. The 27th Coupon, due the 1st October, 1879 (payable the 1st January, 1880) went into default.

1886.—The Republic again changed its name and assumed that of the Republic of Colombia.

1888-9.—The Government of Colombia invited the Council to send an Agent to Bogotá to arrange terms for a settlement.

In June, 1889, an Agreement was concluded with the Government, and an *ad referendum* contract was signed, which received the approval of the Bondholders at a Meeting held on the 5th September, 1889.

The terms of this Arrangement were as follows :—

Bonds, to be called "The Consolidated External Debt of Colombia 1890," to be issued to the amount of £2,420,000, with fifty half-yearly Coupons attached, bearing interest as from 1st January, 1890. The first to the twentieth Coupon

at the rate of 3 per cent. per annum, and the twenty-first and following Coupons at the rate of 4 per cent. per annum. To be payable in London in gold on 1st January and 1st July.

The principal of the Debt to be converted at par, and the nett amount of the arrears of interest at 50 per cent. of their nominal value.

Twenty per cent. of the gross Customs Receipts of the Republic was assigned to the payment of the interest on the New Bonds. This was to be handed to an Agent of the Council at Bogotá monthly, and in the event of the Customs Receipts not producing enough, the Government was to make up the required amount from other sources.

The Government was to assign £12,000 per annum as Sinking Fund from 1st January, 1900, and to have the right to redeem the Bonds by Drawings at 70 per cent. of their nominal value up to 31st December, 1894, and at 80 per cent. after that date, and to have always the right to purchase in the market for cancellation.

1890.—This Agreement was submitted to the Colombian Congress in 1890. Nominally, and after considerable delay, the Agreement was ratified, but with very serious modifications. The most important of these were that the rate of interest which the New Bonds were to bear was cut down from 3 per cent. to $1\frac{1}{2}$ per cent. for six years, and 2 per cent. for the next three years, the maximum rate being reduced from 4 to 3 per cent. The payment of the first Coupon was put off from July, 1890, to July, 1891, without any compensation. The assignment of Customs to form the new security was brought down from 20 to 7 per cent., and the expenses of the Conversion were to be thrown on the Bondholders.

These proposals were submitted to a Meeting of Bondholders on 15th January, 1891, and rejected as inequitable.

REPORT.

The question of sending an Agent to Colombia, to endeavour to effect an Arrangement of the External Debt during the session of the Legislature which commences

in July, has caused the Council much anxious consideration.

The Council are glad to state that they have secured the services of Mr. F. B. Passmore, who is expected to proceed to Bogotá at the end of July.

The absence of reliable statistics, which was deplored by the Commission appointed by the Congress of 1894 to report upon the fiscal condition of the Republic (see Appendix to Council's Report for 1894, p. 89), still continues a marked feature of Colombian administration.

As Congress only meets every two years, and the session of the present year does not commence until July 20th, there is literally nothing to add to the meagre information with regard to the finances of Colombia which was given in the Appendix to the last Annual Report of the Council.

The Estimates for the years 1895 and 1896 are re-produced here for the information of Bondholders.

ESTIMATES FOR BIENNIUM 1895 AND 1896.

REVENUE.

Customs	\$16,000,000
Salt Deposits	4,200,000
Slaughter Tax... ..	1,940,000
Stamped Paper and Stamps... ..	800,000
Post Office	250,000
Telegraphs	500,000
Consular Fees... ..	240,000
Dues on Rio Magdalena	250,000
City of Bogotá Light and Police Tax	80,000
Panama Railway	40,000
Mining Dues	40,000
Rent of Sundry Mines	53,000
Coal Mines	30,000
Cigarette Monopoly	1,600,000
Sundry minor sources of Revenue	103,000
Various Receipts	100,300
Total	<u>\$26,226,300</u>

EXPENDITURE.

Department of Internal Government	...	...	\$1,510,639
„ Beneficence and Rewards	...	...	205,200
„ Posts and Telegraphs	...	...	2,401,180
„ Justice	...	...	3,268,520
„ Foreign Affairs	...	...	681,960
„ Finance	...	...	4,423,011
„ Development of Home Resources...	...	...	72,000*
„ Public Works	...	...	1,409,156
„ National Agriculture	...	...	260,000
„ War	...	...	3,000
„ Public Instruction	...	...	5,192,404
„ Treasury	...	...	1,848,811
„ National Debt	...	...	2,060,452
„ Pensions, etc.	...	...	2,220,292
			748,564
Total	...	...	\$26,305,191

* NOTE.—The item of \$72,000 shown in this Department was added by Decree of the President on February 15th, 1895.

In addition to the above there is a Special Public Credit Estimate, of which the following are the appropriations:—

Loans, Subsidies and Expropriations	...	...	\$2,500,000
Military Rewards	...	...	600,000
Pensions in arrear	...	...	100,000
Interest arrears	...	...	50,000
Total	...	...	\$3,250,000

Mr. McGregor, British Vice-Consul at Barranquilla, has recently furnished H.M.'s Foreign Office with two reports on the Trade, etc., of that Port.

Mr. McGregor takes a somewhat gloomy view of the prospects of the country. Want of population, he says, prevents Colombia from developing its agricultural possibilities and vast and diversified territories, and he thinks that until that want is supplied, "nothing will be gained by opening up long routes of communication with borrowed money."

Whilst agreeing with Mr. McGregor that it would be

a grave mistake for any country to burden itself with debts in respect of expenditure on railways the construction of which cannot be justified by the results likely to be obtained from them, yet it is difficult to see how Colombia will attract immigration or populate her vast territories so long as she remains destitute of these necessary means of communication. Many countries far less favoured by nature and quite as thinly populated, have, by the construction of roads and railways with borrowed capital, opened up to trade immense tracts of land abounding in mineral and agricultural wealth, which would otherwise have remained undeveloped and unpeopled. It is perhaps not too much to say that the general prosperity of any country may usually be gauged by the means of communication it possesses.

It is worth while contrasting the present condition of Colombia with that of the Argentine Republic. The present population of Colombia is estimated at 4,000,000, while the area is about 514,000 square miles, equivalent to 7·8 per square mile. Argentina has nearly $2\frac{1}{3}$ times the area of Colombia, but her population is about the same, viz., 4,090,000, equal to only 3·4 per square mile. The table given below shows the progress made by the two countries during the last 25 years. In 1870 the era of the construction of railways and other public works was just commencing in Argentina; about 500 miles of railway were then in operation in that country, whilst Colombia possessed about 50 miles. In 1895 the former had some 8,500 miles open, whilst the latter had only about 400 miles distributed amongst eleven short lines of which only five are in proper working order.

Some of the figures given in the table may not be strictly

accurate, owing to the difficulty of obtaining reliable statistics with regard to Colombia, but they are sufficiently correct to afford a graphic illustration of the rapid strides made by Argentina as compared with the slow development of her sister Republic.

	1870.		1895.	
	Colombia.	Argentina.	Colombia.	Argentina.
Revenue	£714,000	£2,966,000	*£1,000,000	†£7,700,000
Exports	£1,800,000	£6,000,000	£2,400,000	£23,800,000
Imports	£1,700,000	£9,800,000	£2,000,000	£18,900,000
Population	3,000,000	1,750,000	4,000,000	4,090,000
<i>Miles of Railway open</i>	47	540	400	8,500

* Gold Premium, 160 per cent. † Gold Premium, 250 per cent.

From the above table it appears that in the 25 years—
 The Revenue of Colombia has increased ... 40 per cent.
 " " " Argentina " " ... 160 " "
 " Trade of Colombia " " ... 26 " "
 " " " Argentina " " ... 170 " "
 " Population of Colombia " " ... 33 " "
 " " " Argentina " " ... 133 " "

Although in some respects, especially with regard to geographical position, and the location of her capital, Argentina has the advantage over Colombia, yet in other points, such as mineral wealth, and in the possession of a soil suitable for the production of coffee, tobacco, and other tropical products, Colombia is the more favoured country. It is difficult, therefore, to avoid drawing the conclusion that the progress made by the Argentine Re-

public is in a great measure due to the means of communication she possesses.

The difficulties of transport in Colombia are enormous, From the city of Medellin to the nearest point of embarkation on the River Magdalena, a distance of 110 miles. the transport charges for goods that can be easily packed on the backs of mules, such as grain or coffee, in sacks, are stated to amount to £14 per ton, whilst in the case of goods that cannot be carried in this manner, the charges are much higher.

So long as Colombia continues to ignore the claims of the Bondholders and to disregard the importance of credit, it will be impossible for her to raise the necessary capital to develop her great resources. The External debt per head of the population is about the lightest of any civilised country, and the revenue is amply sufficient to permit her to make an honourable arrangement with her creditors.

NATURAL RESOURCES.

The following remarks with regard to the natural wealth of Colombia are taken from a pamphlet issued by the Colombian Consulate at New York, 1886:—

The Western ridge (of the Andine chain) spreads towards the Pacific coast an immense alluvial mantle of gold and platinum of inexhaustible richness, which covers the important regions of Chocó and Barbacoas. Between this and the central ridge flows the Cauca over sands of gold

East of the central ridge and in a line parallel with it are the rich silver mines of Mariquita, Ibagué, and San Sebastian de la Plata.

Gold constitutes the chief wealth of our soil. We have numerous placers and rich veins that can compete, in their perfect geological formation and in their great value, with those of any other country.

From the same pamphlet it appears that iron and

copper abound, and that there are rich beds of anthracite coal, lead, antimony, zinc, and arsenic. There are also enormous deposits of rock salt as well as salt and mineral springs, petroleum wells, and sulphur. The writer asserts that the state of Antioquia is rich in gold throughout its whole extent, its mountains being crossed by a network of innumerable veins, and its rivers forming in the valleys an uninterrupted series of auriferous placers.

Another official publication, issued in 1887, entitled *Descripcion Historica, Geografica y Politica de la Republica de Colombia*, says :—

The coast-line on both oceans is plentifully supplied with indentations eminently suitable for the establishment of ports, of which there are at present in existence seven on the Atlantic, (of which Cartagena, Barranquilla, and Colon (Aspinwall) are the principal ones) and three—viz., Panama, Buenaventura and Tumaco—on the Pacific.

In the provinces of Magdalena and Bolivar cattle raising is carried on very largely, and the principal foreign markets for stock are found in the West Indian islands. The provinces of Cauca, Santander, Boyaca, and Cundinamarca are rich in agricultural products, as well as in grazing lands; whilst Antioquia and Tolima possess vast mineral wealth, which, to a lesser degree, is common to nearly all the provinces.

It is admitted by the writer of this pamphlet that little use is made of all these great natural advantages and resources. He says :—

Notwithstanding its great natural wealth, Colombia is lacking in easy and rapid ways of communication by land ; its roads, in the true sense of the word, are but few ; its railways have hardly passed the initial stage, with the exception of the Panama Railway ; the Bolivar Railway, a German Line running from Barranquilla to Salgar in the Bay of Sabanilla ; and the Cúcuta Railway (the only one built with Colombian capital), running from that city to Zulia. None of these are more than fifty miles long.

That Colombia is also well provided with navigable rivers is shown in a paper read at a meeting of the Royal

Geographical Society in 1883 by Mr. R. Blake White, in which it is stated that the Rio Magdalena, which runs due north into the Atlantic Ocean, traversing in its course eight degrees of latitude, is navigable for steamers throughout six of these degrees. The Rio Cauca, which flows into the Magdalena, is also navigable for steamers for a great part of its length, and the Rio Nechi, a confluent of the Cauca, is navigable for nearly 400 miles. The Rio Patía, which flows into the Pacific, can be used by steamers for some 90 miles of its length.

The following information is taken from recent Consular Reports :—

TRADE.

By far the larger portion, viz. : about 60 per cent., of the trade of the Republic, passes through Barranquilla, while Cartagena follows with 20 per cent. ; 10 per cent. goes through Cúcuta, and the remainder viâ Rio Hacha, Santa Marta, and the Custom Houses on the Pacific Coast.

In 1895 the value of Imports and Exports made through Barranquilla, was as follows :—

Imports	...	...	...	...	...	...	£1,261,854
Exports	...	...	...	...	...	...	£1,429,852

The total value of Imports for the years 1888 to 1893 inclusive were as follows. Complete returns for 1894 and 1895 are wanting :—

Years.	Barranquilla.	Other Ports.	Totals.
	\$	\$	\$
1888	6,157,709	3,959,056	10,116,765
1889	7,378,364	4,200,973	11,579,337
1890	8,987,922	3,866,255	12,854,177
1891	9,557,039	4,890,819	14,447,858
1892	7,132,270	5,056,983	12,189,253
1893	8,043,675	4,359,624	13,403,299

The total value of Exports during 1892-3 was as follows:—

Years.	Barranquilla.	Other Ports.	Totals.
	\$	\$	\$
1892	10,300,677	5,908,382	16,209,059
1893	8,534,535	6,095,797	14,630,332

CURRENCY.

The Currency consists of notes to bearer, issued by the Government alone. These notes are of all values from 10 cents. to \$100 and more. They are at a discount, the Government not being in a position to redeem them either in gold or any other metal. The rate of exchange varies with the rate for bills drawn payable in gold abroad. The rate in March last was 140 per cent. premium, the par value of the dollar being \$5 = £1 sterling. The paper dollar is thus worth 1s. 8d. In 1895 the premium went up to 185 per cent. All duties and payments to the Government are made in currency at the par value.

CLIMATE.

The climate of Colombia is very diversified. Although the Republic is situated within the tropics, it contains large tracts of land at an elevation of from 4 to 6 thousand feet above sea level, which may be classified as temperate, while above that height up to 9,000 feet, European grains and vegetables can be grown, and barley and oats flourish even at 12,000 feet above the sea.

COFFEE.

In recent years a great impetus has been given to the cultivation of coffee, the exports having risen from

\$810,000 in 1877-8 to \$7,500,000 in 1890, and \$10,000,000 in 1894. Thus a large increase may confidently be looked forward to within a few years.

TOBACCO.

Of late years the output of tobacco has somewhat decreased, having been in 1891 3,840 tons, worth \$1,480,000 against 4,000 tons, valued at \$2,500,000, twenty years ago.

CINCHONA.

Cinchona is indigenous in the Department of Tolima, but owing to the fall in the price of quinine—from 10s. to about 8d. per oz.—the cultivation of this plant does not now assume the same importance as formerly.

INDIA RUBBER.

India rubber was grown to some extent, but the plantations have been allowed to become exhausted through want of attention. There is a valuable indigenous species which grows at high elevations and might be made productive.

COTTON.

Cotton is also grown and is naturally of good quality, resembling the Egyptian variety, but, owing to carelessness in picking, it becomes contaminated with foreign substances which cannot afterwards be thoroughly eradicated.

COSTA RICA.

Five per Cent. Consolidated External Debt					
of 1886	...	...	...	...	£2,000,000
Arrears of Interest 1st January, 1895, to					
1st July, 1896, inclusive	...	...	...	...	200,000
Total	...	...	...	...	<u>£2,200,000</u>

Costa Rica Committee.

Rt. Hon. Sir John Lubbock, Bart., M.P., <i>Chairman</i> .	Cecil Hartridge, Esq.
Roger Eykyn, Esq., <i>Deputy- Chairman</i> .	Walter Henty, Esq.
G. Barham, Esq.	F. G. Horne, Esq.
Claude Bishop, Esq.	J. C. F. Lee, Esq.
W. H. Bishop, Esq.	J. W. Philipps, Esq.
Col. G. E. Church.	T. E. Powell, Esq.
Hon. Sir C. W. Fremantle, K.C.B.	M. Van Raalte, Esq.
D. G. Bruce-Gardyne, Esq.	Cornelius Surgey, Esq.
	R. E. Tomkinson, Esq.
	<i>Secretary.</i>
	James P. Cooper, Esq.

Area	...	...	...	...	23,000 square miles.
Population (1892)	...	...	...	...	243,200
Capital, San José.	Population	...	...	...	19,300

External Debt per head (inclusive of
arrears of Interest) £9.

President	...	...	...	Don Rafael Yglesias.
Minister and Consul-General of Great Britain in Costa Rica (resident at Guatemala)	...	...	...	Audley C. Gosling, Esq.
Consul-General of Costa Rica in Great Britain	...	...	...	John A. Le Lacheur, Esq.

HISTORY OF THE DEBT (FOREIGN).

1839.—On the breaking up of the Central American Federation Costa Rica assumed one-twelfth of the Federal Debt (£163,300) amounting to £13,608.

1840.—In this year Costa Rica paid off her portion of the above Debt at about 85 per cent. in cash.

1871.—A Six per Cent. Loan for £1,000,000, with a Two per Cent. Sinking Fund, was issued by Messrs. Bischoffsheim & Goldschmidt in two instalments of £500,000 each, the first at 72 per cent. and the second at 74 per cent.

1872.—A Loan for £2,400,000 was brought out by Messrs. Knowles & Foster at 82 per cent. bearing 7 per cent. interest, and 1 per cent. Sinking Fund. Only £1,496,100 was allotted, and the balance was never issued to the public.

1874.—Both Loans went into default.

1885.—An Arrangement was entered into through the agency of Mr. Minor C. Keith for the settlement of the Debt on the following terms :—

(1.) Creation of a New Consolidated External Debt for £2,000,000.

(2.) Reduction of the principal of the two Loans by 50 per cent. The total outstanding was £2,691,300 (viz., 1871 Loan, £941,200, and 1872 Loan, £1,750,100). The difference between this amount reduced by one-half and the total New Issue (viz., £2,000,000) was used for payment of interest for the first two years, the expenses of the Arrangement, Conversion, etc.

(3.) The New Bonds to be divided into two Series, viz., Series "A" to the amount of £525,000 and Series "B" £1,475,000, interest to be paid by Mr. Keith from 1st January, 1886, to 1st January, 1888, at the rate of 5 per cent. on Series "A" and 4 per cent. on Series "B," after which the Government was to pay 5 per cent. on both Series, but the interest on the "A's" to be paid preferentially.

(4.) A Sinking Fund of 1 per cent. to be applied in 1898 by half-yearly Drawings at par.

(5.) For the interest in arrear on 23 Coupons amounting to £649,428 on the 1871 Loan, and 24 Coupons amounting to £1,470,084 on the 1872 Loan fully paid up Shares in the Costa Rica Railway Company, Limited, were given at the rate of £22. 10s. of Shares for the arrears on each £100 Old Bond.

(6.) As security for the payment of the interest on the New Bonds, the Government undertook to issue at the beginning of each year, from 1st January, 1888, "Customs Notes" for the total amount of the interest on the New Debt in each year, these Notes to be accepted in payment of Import and Export Duties, payment in money not being allowed until the Customs Notes were first realised.

(7.) The Old Bonds of the 1871 and 1872 Loans were deposited with the Council of Foreign Bondholders until the 1st July, 1894, as a guarantee for the carrying out of the Agreement. In the event of a default on any Coupon on the New Bonds up to and including July, 1894, the Bondholders were to revert to their rights under the 1871 and 1872 Loans.

1894.—The Old Bonds of the 1871 and 1872 Loans were handed over to the Costa Rica Government.

1895.—The Government again went into default, the January, 1895, Coupon not being paid.

REPORT.

The mission undertaken by Colonel Church during the summer of 1895 proved unsuccessful. In spite of a prolonged stay at San José, he was unable to induce the Government to submit a reasonable offer to the Bondholders. The Government, indeed, appear to be disinclined to make any definite proposals whatever, but the terms which the President intimated he would be prepared to approve were, in the opinion of the Committee, quite inadequate. Colonel Church returned to England in September, and the Council are glad to avail themselves

of this opportunity to express their appreciation of the ability he displayed in a difficult negotiation, with a Government which apparently considers that the inequitable terms forced on their creditors by some of the neighbouring Republics are sufficient justification for its attempt to behave in an equally unjust manner.

In accordance with the wish of the Committee the Council have recently addressed the following communication to the President :—

COUNCIL OF FOREIGN BONDHOLDERS,
17, Moorgate Street, London E.C.,
5th May, 1896.

To His Excellency SEÑOR DON RAFAEL YGLESIAS,
President of the Republic of Costa Rica.

SIR,

I am desired by the Council of Foreign Bondholders to invite your attention to the present unsatisfactory position of the Republic with regard to its External Debt.

Your Excellency is aware that the solemn engagements undertaken by Costa Rica, under the settlement of 1885, have been arbitrarily abrogated, and that for eighteen months the service of the Debt has remained in total default; to allow the existing state of affairs to continue will prove as disastrous to the credit and good name of the country as it is unjust to the holders of Costa Rica Bonds.

A glance at the past history of the Debt will demonstrate that the Bondholders have shown every possible consideration to Costa Rica. The Loans contracted in 1871 and 1872 went into default in 1874 and remained in total suspense for eleven years. Under the Arrangement of 1885 the Bondholders surrendered fifty per cent. of their Principal and accepted a reduced rate of interest, while for each £100 of the arrears of interest, amounting in all to some £2,000,000 sterling, they received £22. 10s. of shares in the Costa Rica Railway Company, the value of which is at present almost nominal. As a guarantee for the payment of interest on this reduced amount the Government undertook to issue each year Customs Notes, which were to be accepted in payment of Import and Export Duties,

payment in money not being allowed until the Customs Notes were first realised. It was also agreed that the old Bonds of 1871 and 1872 should be deposited with the Council of Foreign Bondholders, until the 1st July, 1894, as a guarantee for the faithful carrying out of this Arrangement, and in the event of a default on any coupon up to that date the Bondholders were to revert to their rights under the previous contracts. At the expiration of the period mentioned, the Government demanded and received the old Bonds pledged as a security of their good faith, and immediately afterwards suspended the further issue of the Customs Notes and made default on the payment of the 1st January, 1895 coupons.

At the end of 1894 Señor Rodriguez, the Special Commissioner of the Government in England, notified the council that the Government found it impossible to fulfil its obligations. Several conferences were held by him with the Bondholders Committee, who, although they did not consider that sufficient reasons had been adduced for demanding fresh sacrifices from the creditors, agreed to recommend the acceptance by the Bondholders of a temporary reduction of interest. Señor Rodriguez intimated that he was confident that the Government would accept this offer, but after a long delay the Council were informed by Your Excellency that the Government had rejected the terms proposed by its own Agent.

On the 8th February, 1895, the Council and Committee addressed a letter to Your Excellency expressing their regret at the course adopted and asking to be put into possession of your views with regard to a settlement with the Bondholders. To this communication no reply was received.

In April of last year the Committee requested Colonel Church to proceed to Costa Rica in order to arrive at an equitable Arrangement, but, although he made a prolonged stay in the country, he was unable to obtain from Your Excellency's Government any offer which the Committee could recommend the Bondholders to accept.

Even the £50,000 which Señor Rodriguez informed the Committee had been fixed upon by the Government as the sum at its disposal for the annual service of the Debt, and which is specially set aside in the Budget for that purpose, is withheld from the Bondholders.

On the other hand, Costa Rica can afford to appropriate large sums for the erection of handsome public buildings and for the payment of its Internal Obligations, so that its Home Debt has been almost entirely redeemed, but the claims of the External creditors, which I venture to say are entitled to the first consideration, are dis-

regarded, and their property is, in consequence, depreciated to a ruinous extent.

We hope that Your Excellency will turn a deaf ear to those who suggest that Costa Rica can afford to break its solemn promises and close to itself the money markets of the world. Any apparent advantage reaped by the repudiation of its Foreign Obligations can only be temporary, and, in the long run, the State must inevitably suffer from irreparable injury done to its credit and good name. Even from a merely pecuniary point of view, we are satisfied that any saving effected by a breach of faith with the Bondholders will be more than compensated by the blow which will be dealt to the development of the country's resources. I cannot believe that Costa Rica would proffer as an excuse for refusing to make an honourable settlement the fact that unjust terms have been successfully forced on their creditors by some of the other Spanish American Republics. Several of these countries will take longer than the life time of the present generation to recover the damage done to their credit owing to their unjust treatment of those who have trusted to their good faith.

In view, therefore, of the approaching Session of Congress, we would respectfully urge Your Excellency to appoint a Commissioner to treat with the Committee in order to arrive at a reasonable Arrangement, and we beg that you will do everything that lies in your power to ensure the due ratification by Congress of the terms that may be agreed upon, so that Your Excellency's term of office may be signalized by the removal of the present regrettable condition of affairs and the name of Costa Rica expunged from the category of defaulting States. Meantime, we ask that, at any rate the £50,000 which has been set aside for the service of the External Debt should be at once remitted for division amongst the Bondholders, who can accept this as a payment on account, under reservation of their claims to the balance pending the conclusion of a definite Arrangement.

I have the honour, to be, Sir,

Your Excellency's most humble obedient Servant

J. LUBBOCK,

Chairman of the Council of Foreign Bondholders.

EXTERNAL DEBT.

The Minister of Finance, in his Statement submitted to Congress at the end of June, 1895, referred to the External Debt in terms which are condensed as follows :—

The Government considered the settlement of the External Debt, on conditions of a less onerous character and within the scope of the country's powers, a work of the most pressing importance.

They therefore sent Señor Rodriguez to London to endeavour to bring about this desired result.

Señor Rodriguez's suggestions for an arrangement were to be based on the following conditions :—

1. Reduction of the Principal by one-half.
2. Reduction of Interest to 4 %.
3. The reduced capital to be redeemed by a 1 % Sinking Fund.
4. The 1885 Guarantee to be still kept up, and also the Guarantee referring to the deposit of converted Bonds.

The Government also, before embarking on the above arrangement, had devoted their attention to various other schemes which had not, however, met with approval as it was considered that these schemes would not only fail to reduce the existing Debt but would in later years prove a heavier burden to the Government than ever.

Costa Rica is by no means the first country to endeavour to get the principal of her Debt decreased by the above means. Various other nations, of far greater importance, have had to adopt the same course and now enjoy good credit. It should be remembered also that the Republic only received about a third of the money for which it has made itself liable.

This sum, together with others, was sunk in the construction of the Railway—a work which has been the ruin of the country, as there was not enough money to finish it properly ; this lack of funds was caused by the action of the English Bankers who issued the Loan, inasmuch as their want of *bona fides* prevented the amount which had been confidently counted on by the Republic ever being realised by it.

Granting that the Bondholders themselves did not reap any benefit from this fact, Costa Rica nevertheless feels that she should not in justice be called upon to assume the whole responsibility for a matter in which she has been notoriously defrauded.

The Government do not deny that they accepted fresh obligations in 1885, but now that they have paid \$3,500,000 gold in meeting these obligations—now that the country is in a precarious condition—they feel that it is their duty to provide for the future and to make some arrangement which may be within the powers of the future to deal with.

The development of the country is not an operation which can be carried out rapidly. It requires many years of labour and expense,

and it is not right to save the present position at the cost of the future.

The Government, therefore, consider that the country will be doing as much as can be fairly expected of it if it pays what it can under such conditions as shall assure this payment being regularly kept up without discounting the future.

Señor Rodríguez's arrangement fell through, and although the Council of Foreign Bondholders suggested to him another scheme, the Government, after careful consideration, and after taking counsel with the best people in the country, felt obliged to reject it.

The Government, therefore, had to suspend payment pending a more favourable adjustment of the Debt.

The Council of Foreign Bondholders have lately sent a Commissioner to Costa Rica to endeavour to bring about an Arrangement, and the Government trust that before long a mutually satisfactory Settlement will be concluded.

The Finance Minister appears to be unaware that the principal of the Debt was cut down by one-half in 1885, while the arrears of interest were discharged by giving £22. 10s. in shares of the Costa Rica Railway, which are now quoted at an almost nominal price, in exchange for every £100 of arrears. He suggests as the basis of a new arrangement, a further cutting down of the principal by 50 per cent. and a reduction of the interest to one-third of the present rate. He fails to mention that Costa Rica pays her Internal creditors in full and devotes large sums to the amortization of her Home Debt. The Government can also find money for Internal improvements, among which may be mentioned the erection of a magnificent opera house in the Capital, which it is understood has cost upwards of \$1,000,000.

It cannot be denied that the External Bondholders who trusted to the good faith of Costa Rica have just cause to complain of the dishonest manner in which they have been treated.

LIQUIDATION OF BUDGET FOR 1894-5.

(Taken from the Finance Minister's Report dated June 17th, 1895.)

Receipts collected in Year 1894-5.		Expenditure effected in Year 1894-5.	
Source.	Amount.	Department.	Amount.
	\$		\$
Importation Dues,		Government ...	532,658.72
Wharfage & Warehouse Dues ...	2,041,551.77	Police ...	108,351.31
Native Liquor Tax ...	2,012,644.72	Internal Development ...	341,837.12
Tobacco Duty ...	791,859.70	Foreign Affairs ...	51,337.78
Postal and Telegraph Service ...	147,638.03	Justice ...	219,056.43
Stamped Paper ...	69,344.61	Public Instruction	503,143.22
Stamps ...	48,391.68	Public Worship...	17,931.00
Pacific Railway ...	30,101.10	War ...	435,812.07
Girls' College ...	1,230.00	Military Police ...	224,112.00
Rate on Common Lands ...	7,773.38	Marine ...	63,355.70
Registration Office ...	19,365.60	Finance ...	343,513.37
National Printing Office	14,276.65	Sundries ...	981,296.05
Health Dues... ..	1,295.00	Public Assistance, etc. ...	187,357.42
Fines... ..	8,497.30	Monopolies ...	694,259.55
Rents	750.00	Administration of Funds ...	388,326.75
Costa Rica Lyceum...	9,841.25	Internal Debt ...	1,755,508.37
"Vales" Receivable	24,988.10	Ecclesiastical Funds, etc.	32,162.66
School Accessories ...	1,256.00	Various Accounts	300,203.05
Military Equipments	3,885.66	External Debt ...	184,712.07
Waste Lands ...	1,954.85		
Exportation Dues on Timber	18,839.75		
Sundries	54,780.01		
Internal Debt ...	296,027.85		
M. C. Keith (Contract 31st July, 1894) ...	120,590.89		
Arts and Trade Society Guarantee ...	710.17		
Postal Orders ...	362,941.20		
Education Orders ...	24,737.50		
Coffee Exportation, £56,220 at 150 p ^m	702,750.00		
Various	8,600.05		
	6,826,622.82		7,365,024.64

NOTE.—In the above Statement of Expenditure effected in 1894-95, it is to be observed that out of the total expenditure recorded of \$7,365,024.64, only \$6,121,493.36 was paid in cash, the balance of \$1,243,531.38 having been liquidated by "imputaciones;" these latter being credits recognised as due to the several Departments, which are gradually paid off as funds are collected by Government from various sources.

With regard to the foregoing table, the Minister of Finance stated that the exportation duties on coffee had yielded £7,045 less than in the year 1893-4. This falling-off he attributed to the reduction of the duty from 6s. to 4s. per quintal as provided by the Law of June 8th, 1894. The general Customs receipts had, however, shown an increase of \$188,652 over those of the preceding year. The Native Liquor Tax had yielded \$157,458, and the Tobacco Duties \$62,678, more than in 1893-4. In both cases the amount received had fallen short of the estimates for 1894-5, the Liquor Tax having produced \$27,355, and the Tobacco Duties \$8,140, less than the estimated amount. The remaining sources of Revenue yielded about the amount anticipated in the estimate.

The following table, taken from the Statement rendered to the Chamber of Deputies by the Minister of Finance in a Report to Congress at the end of June, 1895, shows the value of the Exports and Imports from 1884 to 1893 :—

Year.	Exports.	Imports.	Excess of Exports.	Excess of Imports.
	\$	\$	\$	\$
1884	3,745,400	3,521,900	223,500	—
1885	2,535,500	3,660,900	...	1,125,400
1886	2,257,600	3,537,600	...	1,280,000
1887	4,689,100	5,601,200	...	912,100
1888	4,052,300	5,201,900	...	1,149,600
1889	4,612,800	6,306,400	...	1,693,600
1890	6,664,700	6,615,400	49,300	—
1891	6,116,800	8,351,000	...	2,234,200
1892	4,725,900	5,389,700	...	663,800
1893	4,294,200	5,833,400	...	1,539,200
	43,694,300	54,019,400	272,800	10,597,900

The Minister stated that the excess of \$10,325,100 shown by the Imports over the Exports was to be

accounted for chiefly by the diminution in the amount of coffee exported during the years 1885, 1886, 1888, 1892 and 1893. During the period under review the Imports had increased to an altogether disproportionate extent.

During these ten years the quantity of coffee exported was 121,636,918 kilos, or (say) an average of 265,732 quintals per annum, which barely exceeds, if at all, the yearly average of the period before 1884. It therefore appears that for some time past the coffee industry has remained stationary in spite of the increased acreage under cultivation, thus showing that the greater portion of the coffee plantations are exhausted.

On the other hand, the exportation of bananas has considerably increased during the above period, rising from 425,000 bunches in 1884 to 1,150,000 in 1893. The total exported in the ten years was about 8,650,000 bunches. The amount of money received by the country during the same period could not be estimated at more than \$3,000,000 gold. This, at any rate, was the sum which came into the hands of the grower, the balance being swallowed up by the expenses of railway and marine transport, commissions, freight in the United States, and dividends of the foreign company which exploits this industry in Costa Rica.

The value of all the other exports during the ten years may be estimated at \$2,000,000 gold.

The Minister considered that the total amount of the Imports during the same period—\$54,019,400—is excessive, and indicates an abuse of credit on the part of commerce, and a tendency towards extravagance on the part of the nation, an extravagance which is shown by the disproportionate increase in the importation of sundry

cereals since 1890. This increase pointed to a corresponding reduction in foodstuffs grown in the country.

With regard to the foregoing remarks of the Minister, the Council have learnt that it is the practice in Costa Rica to calculate the Exports in paper currency and the Imports in gold at \$5 to the pound sterling. In the statement from which the table is taken the Minister has reduced the Exports to gold on an average of the maximum and minimum rate of exchange for each year. Colonel Church, however, compiled a table corresponding to the above, but dealing with the export of coffee *only*, taking the value of the coffee in London each year from the figures quoted by the Minister in his statement. With the object of ascertaining the value of the coffee at the port of shipment, 11 per cent is deducted, to cover the cost of freight, shipping charges, insurance, commission, etc., which percentage has been found to be a fair one for this purpose. The tonnage is taken from official statistics.

COFFEE EXPORTATION.

Years.	Metric tonnage.	Price.	Value in Europe.
1884	16,629	55/- per 50 kilos	£ 914,595
1885	9,151	" " "	503,305
1886	9,037	" " "	497,035
1887	13,082	83/- " "	1,085,806
1888	10,313	" " "	855,979
1889	12,947	" " "	1,074,601
1890	15,395	96/- " "	1,477,920
1891	14,142	" " "	1,357,632
1892	10,798	" " "	1,036,608
1893	11,442	" " "	1,098,432
Total ...	122,936 tons of 1,000 kilos ...		£9,901,913
	Deduct 11 % for freights, commissions, etc. ...		1,089,210
	Total value at ports of Costa Rica... or at \$5 to the £ sterling...		£8,812,703 \$44,063,515

By this table it will be seen that the actual value of coffee exports *alone* exceeds the stated value of *all* the exports as shown in the Minister's table.

The Council also understand that new coffee estates are being extensively planted, and that banana cultivation is widely increasing, while the public lands are being rapidly taken up by settlers. As regards the increase in Imports which is deprecated by the Minister, it is to be observed that the Import Duties have, during the last five years, been reduced to such an extent as to encourage the introduction of foreign goods.

ESTIMATES FOR 1895-6.

The following are the Estimates for the financial year 1895-6, passed on the 22nd July, 1895, just after the publication of the last Appendix to the Council's Report :—

EXPENDITURE.

Government...	...	...	...	...	...	\$525,224.00
Police	...	...	...	...	...	159,400.00
Internal Development	...	...	...	...	...	733,020.00
Foreign Affairs	...	...	...	...	...	70,000.00
Justice	...	...	...	...	...	269,240.00
Public Worship	...	...	...	...	...	23,996.00
Beneficence	...	...	...	...	...	55,800.00
Public Instruction	...	...	...	...	...	661,310.96
War	...	...	...	...	...	420,107.50
Military Police	...	...	...	...	...	230,320.00
Marine	...	...	...	...	...	55,340.00
Finance	...	...	...	...	...	311,673.40
Monopolies	...	...	...	...	...	616,340.00
Public Debt, Internal	...	...	...	...	...	967,640.60
„ External	...	...	...	...	...	625,000.00
Administration of Funds	...	...	...	...	...	17,210.99
Various Expenses	...	...	...	...	...	440,590.00
Total	...	...	...	...	...	<u>\$6,182,213.45</u>

REVENUE.

Import Duties	\$1,540,000
Wharfage	14,000
Warehouses	1,000
Native Liquor Duty	2,000,000
Tobacco Duty	790,000
Pacific Railway... ..	25,000
Stamped Paper... ..	70,000
Postal and Telegraph Services	150,000
Public Register Office... ..	20,000
National Printing Office	15,000
Rates on Common Land	8,000
Fines	9,000
"Vales" Receivable 31st March, 1895	25,000
Rents of National Property	700
School Accessories	1,500
Girls' College	1,200
Costa Rica Lyceum	11,500
Military Equipments	4,000
Surplus of Soldiers' Pay	9,000
Stamp Duty	50,000
Waste Lands	2,000
Health Dues	1,300
Export Duties (Timber)	15,000
" (Coffee)	750,000
Various	350,000
	<hr/>
	<u>\$6,214,200</u>

In connection with the sum assigned for the payment of the service of the Foreign Debt by the Law approving the Budget Expenditure for 1895-6, one of the Deputies, when signing the Report forwarded to the Legislative Chamber by the Budget Committee, made the following just and weighty protest against the cutting down of the Debt service :—

The undersigned deputy of the Commission accepts the foregoing report in all its parts, except in that portion which confirms the assignment of \$625,000 applicable to the payment of the External Debt, since he has no knowledge of there being any circumstance which authorizes the Executive Power to reduce to one-half its annual payments on this account. Therefore, so long as the undersigned deputy is without knowledge of the reasons upon which this reduction is based, he is in favour of respecting the existing agree-

ments between the debtor and the creditor. When he is made acquainted with the reasons, he will then regard the matter from such a point of view as may appear to him to be most in conformity with equity.

(Signed) M. ARGUELLO DE VARS,
July 3rd, 1895.

It is to be regretted that other Members of the Legislature do not follow the example of Señor Arguello de Vars, who appears to have the true interests of his country at heart and to be aware that good credit is as necessary to a State as it is to an individual.

PRESIDENT'S MESSAGE.

On the 1st May, 1896, President Yglesias delivered his Annual Message to Congress. In the course of this Message the President referred to a day not far distant when the whole of Central America would be under one flag, and stated that he had not let pass any opportunity which would contribute to the realisation of this end.

He further drew attention to the necessity that was now apparent of imparting a more stable character to the currency, and urged the necessity of establishing the monetary system on a gold basis. A draft agreement had been drawn up by which it was proposed to the Bank of Costa Rica to convert its notes now in circulation for an equal amount in Treasury Notes, the value of which should be fixed in silver of the present weight and fineness, or in Costa Rica gold of superior fineness and weight than that previously coined, in the proportion of 2 to 1. In the same scheme provision was made for the coinage from time to time of fixed amounts of gold to be put into circulation at the proper period. The Bank was at the same time to be allowed to make fresh issues of notes for the purpose of

increasing the present circulating medium, and the value of the \$4,000,000 silver represented by the national issue was to be devoted by the Government exclusively to the construction of the Pacific Railway. If the Bank accepted, and Congress approved, this arrangement, the monetary difficulty would be solved, and the Pacific Railway completed in a short time.

RECEIPTS AND EXPENDITURE 1895-6.

The Receipts and Expenditure during the Financial year ending on the 31st March, 1896, had been as follows :—

Receipts...	...	...	...	\$6,528,975.22
Expenditure	...	...	...	6,187,927.45
showing a surplus of	...	...		<u>\$341,047.77</u>
which, added to the previous year's surplus of	...	...	...	<u>2,379.56</u>
gave a total at the Treasury's disposal of ...	...	...	...	<u>\$343,427.33</u>

A credit of \$250,000 in favour of the Government in its current account with the Bank of Costa Rica does not appear in this surplus.

The Receipts given above were collected as follows :—

Revenue	...	...	...	...	...	\$6,178,301.12
Public Credit (Internal Debt)	...	...	...	...	...	60,799.53
Funds in Administration Postal Orders, etc., etc.	...	...	...	...	...	289,874.57
						<u>\$6,528,975.22</u>

The actual Receipts fell short of the Estimates by \$35,898.88, but, as compared with the Revenue of the year 1894-5, were more by \$138,644.55.

INTERNAL DEBT.

This amounted on the 31st March, 1895, to \$1,800,229.15. On the 31st March, 1896, it was reduced to \$1,381,591.48, \$418,637.67 having been redeemed during the year.

PRINCIPAL EXPORTS 1894-5.

The following Table shows the quantities of the principal Exports of native production from the ports of Punta Arenas and Limon respectively during the fiscal year 1894-5:—

ARTICLE.	PUNTA ARENAS.	LIMON.	TOTAL.
Bananas ... ..	...	bunches 124,977	bunches 124,977
Coffee	kilos 2,405,877	kilos 9,578,629	kilos 11,984,506
Hides	" 15,897	—	—
Gutta Percha	" 3,661	—	—
Ox Hides... ..	" 41,209	—	—
Cacao	" 2,131	—	—
Sarsaparilla	" 1,324	—	—
Potatoes	" 5,880	—	—
Dry goods	" 50,847	—	—
Copper	" 503	—	—
Ore	" 487	—	—
Seeds	" 633	—	—
Tortoiseshell	" 16	—	—
Maize	" 13,171	—	—
Soap	" 12,365	—	—
Mother of Pearl	" 74,876	—	—
Timber, Fustic	tons 12,861	—	—
" Cocobola.	" 172	—	—
" Cedar	c. ft. 239,142	—	—
" Mahogany	" 27,087	—	—

ECUADOR.

*New Consolidated Debt (authorised)	...	£750,000
Amount issued	... ..	£713,900
Amount redeemed by Drawings	... ..	20,740
Amount in circulation	... ..	£693,160

Ecuador Committee.

The Right Hon. Sir John Lubbock, Bart., M.P., *Chairman*.

Roger Eykyn, Esq., *Vice-Chairman*.

J. C. Bayley, Esq.

W. H. Bishop, Esq.

M. Castello, Esq.

E. F. Coates, Esq.

Thomas Coleman, Esq.

The Hon. Sir C. W. Fremantle, K.C.B.

F. G. Horne, Esq.

L. R. Lack, Esq.

F. P. Obicini, Esq.

Joseph Tucker, Esq.

Gen. Sir Luther Vaughan, K.C.B.

T. Wood, Esq.

Secretary.

James P. Cooper, Esq.

Area 120,000 square miles.

Population 1,270,000.

Capital, Quito. Population ... 40,000.

External Debt per head 11s. (Eleven Shillings).

* Remittances on account of the Debt Service have been suspended since February 1st, 1896.

Supreme Chief (pending election of President)	General Eloy Alfaro.
British Minister at Quito (resident at Lima)	Capt. H. M. Jones, V.C.
British Consul and Bondholders' Agent at Guayaquil	Captain George Chambers.
Consul-General of Ecuador in Great Britain	C. Nevares, Esq.

HISTORY OF THE DEBT (FOREIGN).

1819-34.—*See* Colombia.

1834.—By the Convention of 1834, Ecuador assumed $21\frac{1}{2}$ per cent. of the original Colombian Debt, or £1,424,579, upon which the arrears of interest amounted to £683,775; total, £2,108,354.

1834-54.—No interest was paid by Ecuador during this period.

1855-6.—In this year an Arrangement was made by which:—

(1) The total Debt was fixed at £1,824,000, of which £400,000 was given in exchange for £1,000,000 of arrears of interest.

(2) For the balance of the interest arrears (£1,082,120) were given \$860,000 in Peruvian $4\frac{1}{2}$ per cent. Bonds in satisfaction of £516,000 thereof. These Bonds were paid by Peru to Ecuador in liquidation of a debt contracted by the former prior to 1834 with the old Republic of Colombia (of which Ecuador then formed part). The balance of the interest arrears, viz., £566,120, were paid off in Land Warrants.

(The Land Warrants were subsequently taken over by the Ecuador Land Company, Limited, who at present hold about 200,000 Cuadras in the Pailon and at Atacamas.)

(3) Interest on the New Debt was to be paid at the rate of 1 per cent. as long as the Customs Receipts at Guayaquil should not exceed \$400,000 per annum. Of any excess over this sum the Bondholders were to receive one-fourth until the maximum rate of 6 per cent was attained.

1868.—The Loan went into default in May, 1868.

1888-9.—During this period various unsatisfactory proposals were made for the settlement of the Debt in default, which however led to no result.

1890.—In August, 1890, an Arrangement was drawn up for the conversion of the Bonds of 1855 £1,824,000, with arrears of interest amounting to £421,040, into a New Consolidated Debt of £750,000: interest to be at the rate of $4\frac{1}{2}$ per cent. for the first five years, commencing 1st December, 1892, $4\frac{3}{4}$ per cent. for the second five years, and 5 per cent. thereafter. A Sinking Fund of $\frac{1}{2}$ per cent. for 5 years, and 1 per cent. afterwards, was to be applied by Drawings at par.

The proceeds of an additional 10 per cent. Import Duty were assigned by Congress as security for the service of the Debt; and it was further provided that, in the event of the sum received from this source not being sufficient to meet the half-yearly service, the Government would make good the deficiency from other sources. The new Arrangement was to take effect from 1st January, 1891.

This Arrangement was accepted by the Bondholders subject to the Old Bonds being deposited in the hands of Trustees, and cancelled only in the same proportion as the corresponding New Bonds were redeemed.

The Government refused to accept this stipulation.

1891-2.—A Company called the Ecuador National Railway Company, holding the concession for the completion of an important Railway in Ecuador under a Government guarantee, offered to give £15 in fully paid-up Railway Shares in respect of each £100 New Bonds, provided the Bondholders accepted the Arrangement of August, 1890, unconditionally. The Bondholders consented to this proposal, and in November, 1891, ratified the Arrangement of August, 1890, without the reservation above mentioned.

The existing Bonds of 1855 were converted at the rate of £40 New Bonds for each £100 principal of the Old Debt with all Arrear Coupons attached. The collection of the 10 per cent. additional Import Duties was ordered by the Government to commence from 1st June, 1892. Certificates of claim for the seventeen months' interest unpaid from 1st January, 1891, to 31st May, 1892, were issued by the Council. The Government refused to provide for the expenses of the Debt service, which have to be borne by the Bondholders.

(The Concession held by the Ecuador National Railway

Company has since been transferred by the Government to other parties.)

1894.—In July, 1894, after the payment of the third half-yearly Coupon on the "New Consolidated Debt," Congress passed a Law suspending the payment of interest, and ordering that the 10 per cent. additional Import Duties should be the only security for the service of the Debt. The maximum rate of interest to be reduced from 5 per cent. to 4 per cent., and a Sinking Fund of 1 per cent. on the nominal amount of the Debt to be a first charge on the funds remitted; the balance only being applicable to interest. Pending the acceptance of this Law the collections of the 10 per cent. surtax were to be placed in one of the Guayaquil Banks at six months' deposit.

The Bondholders, having no effective means of resisting the demands of the Government, resolved to accept the Law with the reservation that they relied on the good faith of the nation that, when Congress reassembled, provision would be made for the payment of the deficiency of interest.

1895.—The Government refused to accept this Resolution, and in February, 1895, the Bondholders accepted the Law unconditionally.

A new Arrangement was drawn up, and on this being signed, the Government handed over to the Bondholders' Agent the Deposit Notes for the proceeds of the 10 per cent. surtax lodged in the Bank from the middle of July, 1894, to the middle of February, 1895.

1896.—In March, 1896, the Government again suspended the service of the Debt pending a new Arrangement with the Bondholders, the proceeds of the 10 per cent. Import Duties being meanwhile deposited, as before, in one of the local banks.

REPORT.

The Council regret that since the publication of their preliminary Report in January last, the Government of Ecuador have again broken the solemn engagements entered into with their creditors.

In February last, the Agent of the Bondholders was

informed that the payment to him of the funds assigned for the service of the Debt would be discontinued, the amounts collected being deposited in a local bank until the conclusion of a fresh Arrangement with the Bondholders.

Immediately on receiving this news the Committee met and passed the following resolution, which was communicated to the Press :—

RESOLVED—

That the Committee decline to entertain any further proposals for a suspension of Interest on the Debt, and request the Council of Foreign Bondholders to maintain the rights of the Bondholders.

A telegram was sent to General Alfaro, the leader of the revolutionary party, who has assumed the office of "Supreme Chief," pending the election of a new President, protesting against this fresh breach of faith with the Bondholders.

The following letter was also addressed to the same quarter:—

[Copy.]

COUNCIL OF FOREIGN BONDHOLDERS,
LONDON,

Al Exmo.

March 31st, 1896.

Señor General DON ELOY ALFARO,
Jefe Supremo de la República del Ecuador,
QUITO.

SIR,

The Council of Foreign Bondholders and the Committee of Ecuador Bondholders, have received information from the Agent of the Bondholders in Ecuador, that the Government has again suspended the service of the External Debt. They at once sent Your Excellency the following cable message, which I now beg to confirm:—

"(The) Council and Committee (have) heard with extreme surprise and regret that Your Excellency has ordered (a) suspension (of the) Debt Service. They protest against this fresh invasion of (the) Bondholders' rights, and urge you to reconsider (a) step which will be fatal to the good name and honour of Ecuador."

It is difficult for the Council and Committee to believe that the people of Ecuador can be conversant with the history of the Republic's dealings with the Bondholders in the past, and they therefore respectfully request that you will cause the following facts to be brought under the notice of, and carefully considered, by those in whose hands has been placed the direction of public affairs, and to whom the honour and credit of their country must be of the first importance.

The original Debt was contracted by the Republic of Colombia in 1822 and 1824, when Bonds to the amount of £6,750,000, bearing 6 per cent. interest, were issued in London in exchange for Debentures bearing 10 per cent. interest, which had been previously given in payment for arms and ammunition supplied from England to Colombia, to assist her in throwing off the Spanish yoke and gaining her independence.

In 1826 the Loan went into default.

In 1832 the Republic of Colombia was split up into the three separate States of New Granada, Ecuador, and Venezuela.

By the Convention of 1834, Ecuador assumed $21\frac{1}{2}$ per cent. of the Debt of the old Republic, viz. : £1,424,579 with arrears of interest amounting to £683,775, total, £2,108,354.

From 1834 to 1855 the portion of the Debt assumed by Ecuador remained in total default.

In 1855-6 an arrangement was made with the Bondholders on the following lines :—

- (1.) The total principal of the Debt was fixed at £1,824,000, of which £400,000 was given in exchange for £1,000,000 of the arrears of interest.
- (2.) For the remainder of the interest arrears, amounting to £1,082,120, were given \$860,000 in Peruvian Four and a-Half per Cent. Bonds, in satisfaction of £516,000 thereof. The remaining balance of interest arrears, viz., £566,120, was paid off in Land Warrants.
- (3.) Interest on the New Debt was scaled down to 1 per cent., with a promise that when the Customs Receipts at Guayaquil exceeded \$400,000 per annum, the Bondholders should receive a quarter of such excess, until the full 6 per cent. was attained.

It is unnecessary to point out the sacrifices made by the Bondholders under the above Arrangement, and it might surely have been expected that Ecuador having obtained such liberal concessions from her creditors would have kept faith with them. This, however, was not

the case. Although the Customs Receipts at Guayaquil largely exceeded the amount specified above (viz. \$400,000 per annum), no increase of interest was given to the Bondholders as promised, and in 1868 Ecuador again defaulted.

For more than twenty years the Republic continued in total disregard of her external obligations, until at length, in 1890, finding itself in need of funds for the completion and development of the Quito-Guayaquil Railway, the Government made proposals to the Bondholders for the settlement of the Debt.

Although these proposals were of a most unsatisfactory nature, entailing heavy additional sacrifices, the Bondholders decided to accept them with the simple proviso that the Old Bonds of 1855 should be placed in the hands of Trustees and cancelled only in the same proportion as the corresponding New Bonds were redeemed, and that the rights of the Bondholders should revive in case any Coupon should remain unpaid more than twelve months.

This simple guarantee of good faith was rejected by the Government and the Debt remained in default for seventeen months more.

The Congress of Ecuador re-assembled in May, 1892, and the negotiations were resumed. The Bondholders were compelled to yield on all points and to accept the terms dictated by the Government.

In exchange for the Old Bonds, amounting to £1,824,000, with interest arrears, reckoned at the rate of 1 per cent. only to June, 1892, say £446,000 (though this amount would have been largely increased had the Republic carried out its undertaking to share with the Bondholders the excess of the Guayaquil Customs Revenues over \$400,000 per annum), total, say, £2,270,000, there were given New Bonds for £750,000 bearing $4\frac{1}{2}$ per cent. Interest, rising to 5 per cent. in ten years, with a Sinking Fund of $\frac{1}{2}$ per cent. per annum.

After paying the expenses of the Conversion this was only sufficient to give the Bondholders 40 per cent. in New Bonds in exchange for £100 Old Bonds with interest arrears for some twenty-four years.

The proceeds of an additional 10 per cent. Import Duty were assigned by Congress as security for the service of the Debt and, as it was evident that this alone would be insufficient to make up the sum required, the Government undertook to supply the deficiency from other sources of revenue.

In forcing this Conversion on her creditors, not only did Ecuador

compel them to pay the English Government Stamp Duty and the entire expenses connected with the issue of the New Bonds, but she also refused to provide for the expenses of the Bondholders' Agent at Guayaquil or of the service of the Debt in London, the latter course being, as far as the Council and Committee are aware, absolutely without precedent. All other States which have contracted Foreign Loans have invariably provided for the charges connected with the payment of the Coupons and the amortization of the Bonds, and have not insisted on wringing these expenses out of their creditors.

The Conversion of 1892 remained open for eighteen months only, Old Bonds to the nominal amount of £1,753,500 having been sent in, and New Bonds to the amount of £713,900 being issued in exchange.

As soon as the Conversion was an accomplished fact the Government of Ecuador called upon the Council to deliver to them the Old Bonds, and after three half-yearly Coupons had been paid on the New Bonds, Congress, in July, 1894, arbitrarily and without warning to, or consultation with the Bondholders, passed a Law suspending the payment of interest, and ordering that the 10 per cent. additional Import Tax should alone constitute the security for the service of the Debt.

The maximum rate of Interest was also to be reduced from 5 to 4 per cent., and a Sinking Fund of 1 per cent. was to constitute a first charge on the funds remitted, leaving the balance to be divided amongst the Bondholders by way of Interest.

Pending the acquiescence of the Bondholders in this fresh breach of faith, the collections of the said tax were placed in one of the Guayaquil Banks at six months' deposit.

The Council and Committee protested without avail against this fresh invasion of the Bondholders' rights, and finding it impossible to induce the Government to reconsider their decision, they called the Bondholders together, when it was resolved that as the External Creditors of Ecuador had no effective means of resisting the abrogation of the Arrangement of July, 1892, which had been arbitrarily imposed on them by the Law of Congress, they accepted the Law, relying on the good faith of the Nation, that when Congress met again provision would be made for the payment of the deficiency of interest.

It would have been only reasonable to assume that the Government of Ecuador, in view of the repeated wrongs inflicted on the Bond-

holders, would have gladly accepted their suggestion and done everything in its power to give effect to their request, but on the contrary, the Government insisted on the insertion of a clause in the New Arrangement whereby the Creditors were called upon to renounce all claims and rights not conceded by the last Congress.

Yielding to force majeure, and fearing that their funds which were detained by the Government might be appropriated for other purposes, the Bondholders accepted the Government's demands, although they foresaw that as the Government now refused to supplement the deficiency in the proceeds of the 10 per cent. Import Duties from other sources, the interest due them would be largely reduced. This has been the case: the Coupons due 1st November, 1894, and 1st May, 1895, were paid at the rate of $\frac{3}{4}$ per cent. each, and that due 1st November, 1895, at the rate of 1 per cent.

It might surely, therefore, have been supposed that the final act in this long drama of repudiation had been played out.

The last few days, however, have shewn that this is not the case, and this time it is not Congress but the Executive Power which has appeared as the latest actor on the scene. After the latest Arrangement has been in force for eighteen months only, the Bondholders, without warning or consultation, are once more informed that the Debt service is again suspended and the old expedient of depositing their money in a Guayaquil bank is again resorted to, with the object of forcing them to accept the terms the Government may dictate.

There is apparently no excuse even proffered for this new breach of faith. The Government simply proposes to rid itself in a few years of its External Debt at the expense of the Bondholders. It is an unheard of proceeding even in the long category of South American defaults, and, if persisted in, it will prove as disastrous to the Republic as it is unjust to the creditors.

It is impossible to believe that the Government can cherish any hopes of developing the resources of the country by the introduction of foreign capital, as they are adopting a course which will close to them for an indefinite period the money markets of Europe.

Had they been fairly treated the Bondholders would have been glad to co-operate with the Government in providing for the completion of the existing railway. They have throughout evinced their willingness to make every reasonable concession demanded of them.

They have expressed their readiness to recommend Bondholders to allow the Sinking Fund to be applied by purchases in the Market instead of by drawings at par, whereby the present small Debt of less than £700,000 would be rapidly extinguished. They now feel that every sacrifice they make is only used as a pretext for a fresh abrogation of their rights, and that the time has come to stand firm and refuse to make further concessions which are as inequitable as they are unnecessary.

The Council and Committee therefore respectfully beg Your Excellency's Government to reconsider the step they have taken, and they ask that the remittances be continued as heretofore so that distribution can be made to the Bondholders in respect of the Coupons due 1st May next.

I have the honour to be,

Sir,

Your obedient humble Servant,

JAMES P. COOPER,

Secretary.

P.S. The Committee propose to communicate this letter to the public Press and to the Members of Congress.

The local press has declined to publish the foregoing letter, but it has been printed in the form of a pamphlet and circulated amongst the leading citizens of the Republic.

The following is a translation of the Decree ordering the suspension of payments :—

ELOY ALFARO,

Supreme Chief of the Republic.

Considering—

1. That the country has condemned as unfortunate and prejudicial to the interests of the nation the various arrangements effected with the creditors of the External (called the English) Debt ;
2. That the Decree of August 21, 1890, gave rise to general clamour throughout the Republic, so as to oblige the Congress of 1894 to suspend the payment on the said Debt in the form then established until a new agreement should be effected with the Bondholders ;
3. That under guise of fulfilling the Legislative Decree of July 30,

1894, the last Administration made a new contract, which it kept in reserve, doubtless as being a continuation of the same speculation which the country rejects ;

4. That as the regenerating revolution has triumphed, the Government that has risen from it cannot accept the said Convention without staining its honour ;

Decrees :—

ARTICLE I. That the payment of the External Debt be suspended until an equitable and honourable arrangement with the Bondholders may be obtained.

ARTICLE II. Until the new arrangement is arrived at the proceeds of the additional 10 per cent. of the duties of importation shall be deposited in one of the banks established in Guayaquil.

ARTICLE III. The deposit of the additional 10 per cent. in this form includes the fortnightly Customs Receipts not yet liquidated.

ARTICLE IV. All laws contrary to this Decree are repealed, and its execution is entrusted to the Minister of the Treasury and Public Credit.

Given in the Government Palace, in Quito, capital of the Republic, March 14, 1896.

(Signed)

ELOY ALFARO,

(Countersigned)

SERAFIN S. WITHER,
(Minister of Treasury and Public Credit),

JUAN F. GAME,

Under-Secretary.

But for the practical steps taken, the natural inference from this document would be that the existing Government were so ashamed of the treatment accorded to the Bondholders by their predecessors that they were determined to repudiate their acts and resume payment under previously existing contracts. It is a sad fact that out of the seventy years that have elapsed since Ecuador first began to borrow money, the service of her External Debt has been in suspense for fifty-four years.

The following protest against the above decree was pub-

lished in *El Grito del Pueblo* of March 28th, 1896, by Dr. J. M. Borja, a prominent Ecuadorian :—

PROTEST.

I have just learnt that General Alfaro, as Chief Magistrate, has decreed the suspension of the payment assigned by law, under contract, to the Bondholders of the External Debt, and that he decrees this suspension on the following grounds, viz. :—that the country has condemned the different arrangements made with the holders of our External Debt ; and that, the regenerative revolution having triumphed, the Government which has arisen from it cannot accept the said Convention.

The first ground is, with regard to the undersigned, false. Neither have I condemned, nor do I, nor shall I condemn the employment of all means of paying what Ecuador owes under engagements contracted by its venerated father—General Simon Bolivar—to give us Land and Liberty.

For my part I have approved and do approve of all steps taken to arrange the matter to the satisfaction of our legitimate creditors, be they who they may, or whatever they may be called, and I have, for many years, continued to condemn and still condemn arbitrary proceedings which, like that of Garcia Moreno, in despite of justice and law, have pilloried the Republic before the civilised world.

Ecuador owes money ; it is therefore bound to use all honourable means of paying in full the amount of its Debt, and is consequently bound, under penalty of a breach of decorum, to pay the part on which creditor and debtor have agreed.

Let it not be said that this is the view of an isolated individual, insignificant by the side of the will of the country, that is to say, the majority of the nation.

In the first place, there exists no manifestation of this will. The Congress of 1894, it is true, introduced arbitrarily some modifications into the Arrangement sanctioned by former Congresses, but subsequently, so far as we know, there has been no manifestation of opinion on the subject in any form from the Ecuadorian people.

Granted, however, that I am the only dissenting citizen, and that all other Ecuadorians, without exception, demanded the rescission of the Contract ; how can one party to a bilateral contract break it ?

The inviolability of contracts is a principle recognised even by the most barbarous nations ; the Convention entered into with the holders of Ecuador Bonds has been executed with every legal solemnity ; thus, it cannot be altered in any way by the will of one only of the parties to it, and I therefore PROTEST, as an Ecuadorian, and as a Liberal, against the suspension of payment to our creditors as decreed by the Supreme Magistrate on the 14th of March, 1896.

It is stated that Congress is to meet during the present year. So far no date has been fixed for the commencement of the Session, but it is understood that the members will be called together not later than November.

Meanwhile a Commission or Board entitled " Junta Fiscalizadora de la Deuda Externa," consisting of four members, has been appointed to report on the whole question of the Debt. The names of the members of this Commission are as follows :—

Don José Domingo Elizalde,
Don Eleodoro Aviles,
Don Isidro Suarez,
Don Manuel Manos.

It is earnestly to be hoped that these gentlemen will report against any action which will tend to lower still further the credit of the country. At the same time it is notorious that at least two of them have publicly placed themselves on record, both in Congress and the local Press, as opposed to the continuance of the Debt Service.

Since the suspension of the Arrangement of July 29th, 1892, under which only three half-yearly Coupons were paid at the rate then agreed upon, viz., $4\frac{1}{2}$ per cent. per annum, the following dividends have been distributed among the Bondholders:—

Date of Remittance.	Amount Remitted.	Rate of Exchange.	Amount received in London.	Particulars of Remittance.
1895.	\$	\$	£ s. d.	\$
23 March	3,516.10	87½	416 11 2	Guayaquil .. 2nd fortnight.. Feb., 1895. .. 6,207.86
6 April	15,695.70	87½	1,674 4 2	Guayaquil .. 1st " .. Sept., 1894, and interest.. 9,487.84
				Guayaquil .. 2nd " .. Aug., " " " .. 7,080.06
20 "	7,357.78	87½	784 16 7	Manta .. { 2nd " .. Sept., " " " .. 277.72
				Guayaquil .. 2nd " .. March, 1895, } " " " ..
4 May	8,347.02	87½	890 7 0	Manta .. 1st " .. Oct., 1894, and interest.. 8,335.57
				Guayaquil .. 1st " .. " " " .. 11.45
10 "	7,357.99	87½	784 17 1	Manta .. 1st " .. April, 1895, " " " .. 7,162.36
				Bahia .. 1st fortnight " " " .. 82.54
18 "	7,501.18	87½	800 2 6	Guayaquil .. 1st " .. " " " .. 113.09
				Manta .. 2nd " .. Oct., 1894, and interest.. 7,412.01
31 "	11,087.10	87½	1,182 12 6	Guayaquil .. 2nd " .. " " " .. 89.17
				Manta .. 1st " .. Nov., " " " .. 11,010.16
				Bahia .. 2nd " .. April, 1895, " " " .. 38.72
15 June	17,842.91	87½	1,903 4 10	Guayaquil .. 1st " .. Nov., 1894, and interest.. 11,235.46
				Manta .. 2nd " .. April, 1895, " " " .. 6,574.37
23 "	7,276.97	87½	776 4 2	Guayaquil .. 1st " .. May, " " " .. 33.03
6 July	6,161.33	91½	643 13 9	Manta .. 1st " .. Nov., 1894, and interest.. 7,205.10
				Guayaquil .. 2nd " .. May, 1895, " " " .. 71.87
20 "	24,462.65	93½	2,528 8 9	Guayaquil .. 1st " .. June, " " " .. 5,762.30
				Manta .. 2nd " .. Nov., 1894, and interest.. 8,783.30
3 Aug.	15,878.83	94½	1,632 15 7	Guayaquil .. 1st " .. Dec., " " " .. 9,716.33
				Manta .. 2nd " .. May, 1895, & June, 1895, .. 42.23
17 "	9,422.35	94½	968 17 7	Guayaquil .. 2nd " .. Dec., 1894, and interest.. 158.44
24 "	16,610.69	94½	1,708 0 9	Guayaquil .. 1st " .. June, 1895, " " " .. 8,575.00
				Manta .. 2nd " .. Jan., " and interest.. 7,303.83
7 Sept.	22,661.40	91½	2,330 4 5	Guayaquil .. 1st fortnight .. July, 1894, " " " .. 9,126.47
				Guayaquil .. 1st " .. 1895, " " " .. 295.88
14 "	7,984.80	94½	821 1 2	Guayaquil .. 2nd " .. Aug., 1894, and interest.. 10,672.84
				Guayaquil .. 1st " .. Jan., 1895, " " " .. 6,237.85
21 "	18,675.36	94½	1,920 6 11	Guayaquil .. 2nd " .. July, " " " .. 8,665.41
				Manta .. 1st " .. Aug., " " " .. 7,962.50
5 Oct.	10,995.95	94½	1,130 13 9	Guayaquil .. 1st " .. Feb., 1895, " " " .. 6,033.49
2 Nov.	12,135.22	93½	1,254 5 9	Guayaquil .. 2nd " .. Oct., 1894, and interest.. 11,547.29
				Manta .. 1st " .. " " " .. 7,050.13
15 "	11,278.07	97	1,144 19 8	Guayaquil .. 2nd fortnight.. Aug. " " " .. 77.94
				Manta .. 1st " .. March, " and interest.. 10,955.37
30 "	11,879.45	97	1,206 0 9	Guayaquil .. 1st " .. Sept., " " " .. 42.58
14 Dec.	12,340.08	100	1,234 0 2	Guayaquil .. 2nd " .. Oct., " " " .. 12,033.94
				Bahia .. 1st " .. Sept., " " " .. 101.28
28 "	12,205.52	100½	1,217 10 2	Guayaquil .. 2nd " .. Oct., " " " .. 11,068.53
				Esmeraldas.. " " " .. Sept., " " " .. 83.78
				Bahia .. 1st fortnight " " " .. 14.47
11 Jan.	8,035.63	101	799 11 4	Guayaquil .. 1st " .. " " " .. 81.29
18 "	9,321.49	101	927 10 3	Guayaquil .. 2nd " .. Nov., " " " .. 11,820.49
31 "	10,662.45	98	1,077 0 4	Guayaquil .. 1st " .. Oct., " " " .. 58.96
				Manta .. 2nd " .. Nov., " " " .. 11,934.84
29 Feb.	9,238.55	99	928 12 0	Guayaquil .. 1st " .. Oct. & Nov., 1895, " " " .. 150.41
14 March	16,233.97	99	1,631 9 1	Bahia .. 2nd " .. Nov., 1895, " " " .. 254.83
				Esmeraldas.. " " " .. Dec., 1895, " " " .. 12,071.60
				Guayaquil .. 2nd fortnight.. Jan., 1896, " " " .. 37.80
				Guayaquil .. 1st " .. " " " .. 96.12

Under the Law of the 26th July, 1894, the proceeds of the 10 per cent. extra Import Duties from the second fortnight of July, 1894, to the first fortnight of February, 1895, inclusive, were, pending an arrangement with the Bondholders, deposited for six months in the Bank of Ecuador at the usual rate of interest allowed by the Guayaquil banks. It will be seen from the above Table that this interest was included in the remittances made by Captain Chambers.

Some of the receipts of the minor Customs stations were appropriated for war expenses during the revolution of last year.

REVENUE AND EXPENDITURE.

No recent particulars are available regarding Revenue and Expenditure, the country having been in a disturbed condition for some time past. The latest returns were given in the Appendix for last year.

INTERNAL DEBT.

In July, 1895, the present Administration raised a Loan of £20,000 to carry on the war. This sum was advanced by the Bank of Ecuador upon the security of several private individuals, who in their turn were guaranteed by the product of a new tax of 50c. on every 100 lbs. of cocoa and coffee garnered in the provinces of Guayas, Los Rios, and Bolivar, and subsequently the tax was extended to the provinces of Manabi and Esmeraldas.

In September a further Loan of £5,000 was negotiated, and, as it was found necessary to tax other products to meet the new obligation, a Decree was issued on the 13th December, 1895, embodying the above-mentioned coffee and cocoa taxes and new surtaxes on several other articles exported. The surtaxes were first levied on the 16th December, 1895, and should cease on the 30th June, 1896.

The total amount of the Internal Debt on the 31st December, 1894, was £264,000, compared with £222,165 on the 30th December, 1893.

The following Table shows the principal Exports of the Republic during the year 1894:—

Articles.	Quantity.	Value.
	Quintals.	£
Cocoa	411,696	1,080,712
Coffee	63,797	207,340
Hides, raw	17,099	25,649
Indiarubber	8,377	50,262
Ivory Nuts	369,270	73,854
Straw Hats	289,142	31,022
Tobacco Leaf	2,001	4,502
Total		£1,473,341

EXPORTS FROM GUAYAQUIL, FOR THE YEARS 1894 & 1895.

Articles.		1894.		1895.	
		Quantity.	Value.	Quantity	Value.
Arnotto ...	Per quintal	72	£ 90	20	£ 25
Bamboo canes	Per thousand	39,100	1,095	33,600	941
Cinchona bark	Per quintal...	1,547	3,094	3,252	4,878
Cocoa ...	" "	390,025	1,023,815	361,545	768,283
Coffee ...	" "	59,402	193,056	56,632	198,212
Cotton ...	" "	198	594	95	285
Cundurango	" "	207	207	498	498
Hides (raw) ...	" "	9,352	14,028	11,117	16,676
Indiarubber ...	" "	4,570	27,420	4,369	30,583
Ivory nuts ...	" "	31,113	6,223	71,885	14,377
Orchil ...	" "	237	237	2,073	2,073
Pitch, mineral	" "	635	794	437	546
Rice ...	" "	...	...	900	450
Sarsaparilla ...	" "	118	265	45	101
Specie ...	Value	...	23,204	...	14,347
Straw, hammock	Per quintal..	384	2,304	432	2,592
Straw hats ...	Value	...	11,759	...	15,774
Sugar ...	Per quintal...	20,900	13,062	27,033	14,191
Sundries ...	Value	...	72,000	...	70,000
Tobacco in leaf	Per quintal...	57	128	641	1,442
Total ...	...	...	£1,393,375	...	£1,156,274

COMPARISON.

Total for 1894 ...	...	...	...	£1,393,375
" " 1895 ...	...	...	...	1,156,274
Decrease in 1895	...	...	...	<u>£237,101</u>

It will be observed from the above Tables that the decrease in the value of the Exports is about 17 per cent., which is mainly owing to the smaller amount of cocoa exported and the decline in price of the product.

IMPORTS.

Captain Chambers states that it is impossible to give any reliable data of the Import trade of the Republic during the last two years, but he is of opinion that there was an abnormal decline, due rather to the lack of confidence amongst the commercial community than to political disturbances.

CUSTOMS REVENUE.

The Customs Receipts, which form nearly the entire Revenue, were approximately as follows:—

Year.	£
1893	380,000
1894	400,000
1895	284,000

EXCHANGE.

The following Table shows the rates of Exchange for 90-days Bills for 1894 and 1895, and the equivalent value of the sucre:—

Month.	1894.		1895.	
	Per Cent.	Sterling Equivalent.	Per Cent.	Sterling Equivalent.
		s. d.		s. d.
January	78 $\frac{1}{8}$	2 2 $\frac{1}{8}$	93 $\frac{1}{2}$	2 0 $\frac{1}{8}$
February	90 $\frac{1}{4}$	2 1 $\frac{1}{4}$	93 $\frac{1}{2}$	2 0 $\frac{1}{8}$
March	97 $\frac{1}{2}$	2 0 $\frac{1}{2}$	88 $\frac{1}{2}$	2 1 $\frac{1}{8}$
April	95 $\frac{3}{8}$	2 0 $\frac{3}{8}$	87 $\frac{1}{2}$	2 1 $\frac{1}{8}$
May	78 $\frac{1}{8}$	2 2 $\frac{1}{8}$	87 $\frac{1}{2}$	2 1 $\frac{1}{8}$
June	77 $\frac{1}{4}$	2 3	88	2 1 $\frac{1}{2}$
July	83 $\frac{1}{2}$	2 2 $\frac{1}{2}$	93 $\frac{1}{2}$	2 0 $\frac{1}{8}$
August	83 $\frac{1}{4}$	2 2 $\frac{1}{4}$	94 $\frac{1}{2}$	2 0 $\frac{1}{8}$
September	83 $\frac{1}{2}$	2 2 $\frac{1}{2}$	94 $\frac{1}{2}$	2 0 $\frac{1}{8}$
October	87 $\frac{1}{8}$	2 1 $\frac{1}{8}$	94	2 0 $\frac{1}{8}$
November	88 $\frac{1}{2}$	2 1 $\frac{1}{2}$	95 $\frac{1}{2}$	2 0 $\frac{1}{2}$
December	91	2 1 $\frac{1}{2}$	98 $\frac{1}{2}$	2 0 $\frac{1}{2}$

The value of the sucre during the past seven years shows a progressive depreciation at the rate of 5 per cent. per annum. According to Captain Chambers the sucre may, for all practical purposes and approximate calculations, be taken at 2s., as compared with 3s. before the depreciation commenced.

RAILWAYS.

With reference to the extension of the Railway from Chimbo to Quito, the Government of Ecuador have engaged a railway expert to examine and report upon the proposed route. With this object in view, Mr. Sigwald Müller arrived in Ecuador in October, 1895, and is now engaged in preparing plans and estimates of the undertaking.

EGYPT.

4 %	Unified Debt outstanding, January, 1896	£55,974,820
3½ %	Preference Bonds " " ...	29,393,580
4½ %	Domains Loan " " ...	3,924,840
4 %	Daïra Sanieh Loan " " ...	6,644,300
3 %	Guaranteed Loan " " ...	8,699,300
	Total 	<u>£104,636,840</u>

Area 12,826 square miles.

Population (1882) 6,817,265.

Capital, Cairo. Population 231,395.

External Debt per head £15. 7s.

Khedive Abbas Hilmi.

Minister Plenipotentiary and Consul-General of

Great Britain in Egypt ... Lord Cromer, G.C.B., G.C.M.G.

Financial Adviser Sir Elwyn Palmer, K.C.M.G.

HISTORY OF THE PUBLIC DEBT (FOREIGN).

1862.—Seven per Cent. Loans. £2,195,200 issued in March at 82½ per cent., and £1,097,600 at 84½ per cent. in August, secured on the Revenue of certain Provinces of the Delta. Object to extinguish the Floating Debt.

1863.—Eight per Cent. "Halim Pacha Loan," £310,000. Issued by the Egyptian Commercial and Trading Company. These Debentures were accepted in payment of allotments of the Seven per Cent. Loan of 1864.

- 1864.—Seven per Cent. Loan, £5,704,200. Issued at 93 per cent. Redeemable at par in 15 years.
- 1866.—Seven per Cent. Railway Loan, £3,000,000. Issued at 92 per cent. Repaid by six annual drawings of £500,000 at par by 1st January, 1874.
- Viceroy's Seven per Cent. Loan, £3,387,300. Issued at 90 per cent. Redeemable at par by thirty half-yearly Drawings. Secured on the private property of the Viceroy.
- 1867.—Nine per Cent. Loan, £2,080,000. Issued at 90 per cent. Repayable in 14 years by half-yearly Drawings.
- 1868.—Seven per Cent. Loan, £11,890,000. Issued at 73 per cent. Redeemable in 30 years. Government undertook to issue no new Loans for five years from July, 1868.
- 1870.—The Khedive's Seven per Cent. Loan, £7,142,800. Issued at 78½ per cent. Redeemable in 20 years. The object of this Loan was the development of the Sugar Cane industry. The Turkish Government declared this issue to be illegal, but the objections of the Sultan were overcome.
- 1873.—Seven per Cent. Loan, £32,000,000. Issued at 79 per cent. nett. Redeemable at par in 30 years by half-yearly Drawings. Secured on the Railway Revenues and the Personal, Salt and Land Taxes. This Loan was issued to pay off the Floating Debt, then amounting to £28,000,000.
- 1875.—In 1875 the Khedive announced that he was in difficulties, and asked the British Government to send a special mission to Egypt to study the financial position of the country. Mr. Stephen Cave, who was appointed to carry out this task, recommended the Consolidation of the Funded and Floating Debts into a Stock of £75,000,000. The recommendation was not, however, accepted by the Khedive, who, acting under the influence of the French houses, which owned the Floating Debt, issued Decrees in May, 1876, consolidating the Debt into £91,000,000. In November of this year the British Government bought the Khedive's Shares in the Suez Canal Company for £4,000,000.
- 1876.—Default took place on the 1868 Loan, and on the Viceroy's Loan in July, 1876. Interest was paid on the 1864 Loan up to the end of 1876, and the other Loans then went into default.
- 1877.—First Unification. In 1877, as the result of negotiations between the Khedive, and Mr. Goschen and M. Joubert re-

presenting the English and French Bondholders, it was arranged to consolidate the Debts into a 5 per cent. Preference Stock of £17,000,000 secured on the proceeds of the railways and port of Alexandria, and a Unified 7 per cent. Stock of £59,000,000. The Conversion was carried out in the early part of 1877. Holders of the 1862, 1868, and 1873 Loans received for every £100, £38. 8s. in 5 per cent. Preference Stock, and £61. 12s. in 7 per cent. Unified Stock. The Unified Bonds carried a Sinking Fund which should pay them off in 65 years. The Interest was to be at the rate of 6 per cent. until 1886. Interest at this rate was paid in 1877 and 1878, but in April, 1879, interest at the rate of 5 per cent. per annum only was paid, and in November, 1879, at the rate of 4 per cent. per annum, and at this rate only until 1880, when another Unification took place as described below.

In 1877 the Khedive's Loans, or "Daïra" Debt was consolidated into a Unified (Daïra Sanieh) Debt for £8,815,430, bearing a minimum 5 per cent. interest, to be raised to 7 per cent. when the capital had been reduced to £5,000,000 by means of the Sinking Fund.

1878.—Egyptian State Domain Mortgage Bonds. Issued in November. £8,500,000 at 73 per cent., interest 5 per cent. Secured on the property of the family of the Khedive transferred to the State. It was arranged that this property should be administered by three Commissioners nominated by the Governments of Great Britain, France, and Egypt.

1879.—Ismail Pasha, the Khedive, was deposed in 1879, and it was arranged that the entire Administration of the country should be carried on under the dual control of England and France, Major Baring and M. de Blignières being appointed Controllers-General.

1880.—In January, 1880, these gentlemen reported that it was impossible for Egypt to meet her engagements in full, and in the following March an International Commission of Liquidation was appointed by the Great Powers to consider what resources were available for the service of the Debt and carrying on of the Government.

The Law of Liquidation, which governs the present financial arrangements in Egypt, was promulgated in July. By this

the interest on the Unified Debt was permanently reduced to 4 per cent. The Short Loans secured on the Land Tax (Moukabala) were converted into Unified Debt at the rate of £100 Unified for £60 Old Bonds, raising the capital of the Unified Debt to £60,958,240. The capital of the Preference Stock was increased to £22,743,800, certain unconsolidated liabilities being included. The Daira Sanieh Loan was also increased to £9,512,880, and interest reduced to 4 per cent. It was arranged that redemption of both Unified and Daira Sanieh Bonds should be effected by purchase when under 80, and by drawing when over that price.

1885.—Three per Cent. Loan, guaranteed by the Great Powers; £9,424,000 issued at 95½ per cent. This Loan is quoted amongst British Funds on the Stock Exchange. The proceeds were applied to the payment of the Alexandria Indemnities and to meet the expenses caused by the revolt of Arabi Pasha in 1882, which led to the withdrawal of France from the Dual Control, and resulted in Great Britain taking the lead in the management of Egyptian Finances.

1888.—Four and a-Half per Cent. Loan, £2,330,000. Issued at 95½ per cent. Raised for the purpose of commuting certain pensions to relatives of the Khedive. In return the State acquired certain lands, so that no additional burden was cast on the country by this Loan. This Loan was specially secured by an annuity to be paid by the Government out of the sum allotted for the Public Administration.

1890.—Conversion of the old Preference Debt and Four and a-Half per Cent. Loan of 1888. By a Decree of 6th June, 1890, these Loans were converted into the Three and a-Half per Cent. Preference Loan for £29,400,000, including a sum of £E. 1,300,000 for irrigation purposes and for the commutation of pensions.

1890.—Daira Sanieh Four per Cent. Bonds, £7,299,360. Issued to convert the previously existing Bonds of the Daira Sanieh of 1877. Cash subscriptions were received at 99½ per cent., holders of the Old Five per Cent. Bonds having the option of converting into the New Stock, specially secured by the net Revenue of the Daira Sanieh Estates and by the yearly surplus of the Revenues of the Treasury of the Public Debt. The Government undertake not to redeem this issue before October, 1905.

1893.—State Domain Mortgage Bonds, £8,500,000, at $4\frac{1}{4}$ per cent. interest. This Loan was a Conversion of the Egyptian State Domain Mortgage Bonds of 1878, interest being reduced from 5 per cent. to $4\frac{1}{4}$ per cent. Holders of £462,500 of the Old Bonds refused to accept the Conversion, and were paid off at par. In other respects the Administration remains the same. The Sinking Fund of $\frac{1}{2}$ per cent. per annum is at present suspended.

SERVICE OF THE DEBT.

The annual charge for the service of the Debt administered by the Special Treasury of the Public Debt is as follows:—

3 %	Guaranteed Loan	...	...	£315,000
$3\frac{1}{2}$ %	Preference Debt	...	...	1,028,775
4 %	Unified Debt	...	...	2,238,993
				<u>£3,582,768</u>

The following Statement shows the total amounts received by the Special Treasury for the Debt, the Interest charge, and the surplus over and above the sum required to meet the Coupons during the past six years, viz. :—

Years.	Total Amounts received by the Caisse.	Sums required for Interest.	Surplus.
	£	£	£
1890	4,805,425	3,742,840	1,062,585
1891	5,157,352	3,583,478	1,573,874
1892	4,979,343	3,583,464	1,395,879
1893	5,009,911	3,583,445	1,426,466
1894	5,174,712	3,582,987	1,591,725
1895	5,250,725	3,582,768	1,667,957

REVENUE RETURNS.

The closed accounts of the year 1895 present the following results :—

Revenue	...	...	...	...	£10,838,843
Expenditure	...	...	...	...	<u>9,722,866</u>
Surplus Receipts	...	...	...	...	<u>£1,115,977</u>

Of this sum £411,942 is due to the conversion of the Debt, and is deposited with the Caisse de la Dette, £363,275 is added to the General Reserve Fund in the hands of the Caisse de la Dette, and £340,760 is credited to the Special Reserve Fund, which is at the disposal of the Government.

GENERAL RESERVE FUND.

At the close of 1894 this Fund amounted to £2,256,143. During 1895 it was increased as follows :—

Share of the Surplus of the assigned Revenues...	...	...	...	£363,275
Interest on the Bonds held for the Fund, etc....	...	...	...	107,380
Sales of Free Lands	...	...	...	<u>11,500</u>
				2,738,298
Less Expenditure	...	...	...	<u>141,032</u>

Nett amount on the 1st January, 1895 ... £2,597,266

N.B.—It should be noted that part of this sum is provisionally pledged as a guarantee for certain advances assented to by the Treasury of the Debt, amounting to £1,361,470.

SPECIAL RESERVE FUND.

The balance of this Fund at the end of
1894 amounted to £286,344

During 1895 it was increased as follows :—

Share of the Surplus	...	...	...	...	...	£340,760
Miscellaneous	...	...	...	...	...	1,497
						<hr/> 628,601
Less Expenditure	...	...	...	...	...	145,103
						<hr/>
Balance on the 1st January, 1896	...					<u>£483,498</u>

In addition to these two Funds the Government has in reserve the sum of £1,880,071, due to the accumulated economies resulting from the Conversion of part of the Debt, which the Government has not yet received the authority of the Powers to make use of. Nearly the whole of this Reserve is invested in Egyptian Stock, and taking the value of these Stocks on the 31st December, 1895, the total Reserve of the Government amounts to £5,150,436.

In the year 1895 the Government was able to redeem Debt to the extent of £141,210, mainly out of the proceeds of the sale of Domains lands and the surplus of the Daira Administration.

The following are the Estimates of Expenditure and Revenue for 1896 :—

REVENUE.

<i>Direct Taxes—</i>					£	£
Land Tax	...	...	...	...	4,994,871	
Other direct Taxes	...	...	...	...	133,334	
						5,128,205
<i>Indirect Taxes—</i>						
Customs	...	...	...	...	758,974	
Tobacco	...	...	...	...	953,847	
Octrois	...	...	...	...	205,130	
Salt, etc.	...	...	...	...	174,358	
Fisheries	...	...	...	...	92,307	
Navigation Dues	...	...	...	...	76,923	
Stamps and Registration Dues	...	...	...	...	40,000	
Sundry Duties	...	...	...	...	31,794	
						2,333,333
<i>Administration of Receipts—</i>						
Railways	...	...	...	...	1,764,103	
Telegraphs	...	...	...	...	44,102	
Port of Alexandria	...	...	...	...	123,076	
Other Ports	...	...	...	...	2,051	
Post Office and Postal Packets	...	...	...	...	194,872	
Lighthouses	...	...	...	...	71,795	
Gold Assay Office	...	...	...	...	6,154	
						2,206,153
<i>Receipts of Administrative Services—</i>						
Justice	...	...	...	...	389,744	
Sundry Ministries	...	...	...	...	20,513	
Exemption from Military Service	...	...	...	...	97,436	
Interest on Deposits	...	...	...	...	30,769	
						538,462
<i>Government Property</i>	...	...	...	...		92,307
<i>Suakim</i>	...	...	...	...		15,385
<i>Deduction from Salaries for Pension Fund</i>	...	...	...	...		58,461
<i>Economy resulting from Conversion of Daira Sanieh and Domains Debts (including Interest on Bonds purchased)</i>						150,770
Total Ordinary Receipts					...	<u>£10,523,076</u>

EXPENDITURE.

	£	£
<i>Civil List of the Khedive, etc.</i>		260,370

Cost of Administration and Collection—

Council of Ministers	4,074	
Legislative Council	8,482	
Ministry of Foreign Affairs	11,401	
Ministry of Finance	88,227	
Ministry of Public Instruction	107,877	
Ministry of Interior, including Police and Prisons	394,175	
Ministry of Justice	397,668	
Ministry of Public Works	755,681	
General Expenses of Ministries	134,707	
Provincial Administrations, etc.	336,488	
Cost of Collection :—		
Customs	159,805	
Octrois	35,389	
Salt, etc.	45,873	
Fisheries	10,256	
Navigation Dues	3,137	
		2,493,240

Expenses of Administration of Receipts—

Railways	862,449	
Telegraphs	42,051	
Port of Alexandria	28,718	
Other Ports	3,855	
Post Office	100,026	
Khedivieh s.s. Administration... ..	87,905	
Lighthouses	27,625	
Gold Assay Office	1,972	
		1,154,601

Public Security—

Ministry of War... ..	406,655	
Police } See Ministry of Interior.		
Prisons }		
Army of Occupation	87,000	
		493,655

<i>Government of Suakim</i>	123,546
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<i>Pensions, etc.</i>	441,025
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Carried forward	£4,966,437
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				£	£
Brought forward	4,966,437
<i>Tribute and Public Debt—</i>					
Turkish Tribute	682,093	
Daïra Khassa	...	...	...	34,872	
Moukabala	...	...	...	153,846	
Interest and Exchange	...	...	...	1,522	
Domains Deficit	...	...	...	92,308	
Caisse de la Dette Expenses	...	...	...	34,872	
<i>Service of the Consolidated Debt—</i>					
Guaranteed Loan	...	...	...	315,000	
Preference Debt	...	...	...	1,028,775	
Unified Debt	...	...	...	2,238,993	
					4,582,281
<i>Suppression of the Corvée</i>	...	...	...	...	256,410
<i>Unforeseen Expenses</i>	...	...	...	...	30,769
<i>Sanitation of Cairo</i>	...	...	...	...	41,026
Total Ordinary Expenditure	...	..			<u>£9,876,923</u>

SUMMARY.

				£
Revenue	...	...	...	10,523,076
Expenditure	...	...	...	9,876,923
Estimated Surplus	...	...		<u>£646,153</u>

The following Table shows the Revenue and Expenditure from 1881 to 1895. This and the two succeeding Tables are taken from a Statement recently issued by Sir Elwyn Palmer.

Year.	Revenue.	Expenditure.	Surplus + or Deficit. —
	£	£	£
1881	9,466,631	8,958,642	+ 507,989
1882	9,079,853	9,270,314	— 190,461
1883	9,163,769	10,108,664	— 944,895
1884	9,644,404	10,116,209	— 471,805
1885	9,884,280	10,599,204	— 714,924
1886	9,819,890	10,521,738	— 701,848
1887	9,862,931	9,749,626	+ 113,305
1888	9,909,165	9,910,335	— 1,170
1889	9,968,162	9,804,182	+ 163,980
1890	10,499,089	9,893,197	+ 605,892
1891	10,871,078	9,896,182	+ 974,896
1892	10,629,584	9,841,278	+ 788,306
1893	10,586,177	9,847,444	+ 738,733
1894	10,568,160	9,762,525	+ 805,635
1895	10,838,843	9,722,867	+ 1,115,976

The following Table shows the result of the working of the State Domains from 1881 to 1895 :—

Year.	Revenue.	Expenditure.	Deficit.
	£	£	£
1881	1,027,402	1,287,075	259,673
1882	997,316	1,199,412	202,096
1883	957,946	1,135,782	177,836
1884	907,658	1,082,666	175,008
1885	791,820	1,074,405	282,585
1886	866,785	1,037,225	170,440
1887	847,236	978,231	130,995
1888	797,010	892,710	95,700
1889	628,974	745,156	116,182
1890	625,021	734,631	109,610
1891	580,240	715,884	135,644
1892	596,334	713,026	116,692
1893	546,580	598,736	52,156
1894	429,589	535,239	105,650
1895	504,438	545,730	41,292

The following Table shows the result of the working of the Daira Sanieh from 1881 to 1895 :—

Year.			Revenue.	Expenditure.	Surplus + or Deficit. —
			₹	₹	₹
1881	...	...	896,436	1,140,726	— 244,290
1882	...	...	1,241,842	1,237,666	+ 4,176
1883	...	...	935,179	1,168,177	— 232,998
1884	...	...	1,201,896	1,282,943	— 81,047
1885	...	...	1,246,233	1,462,212	— 215,979
1886	...	...	1,156,150	1,424,139	— 267,989
1887	...	...	1,101,290	1,316,661	— 215,371
1888	...	...	1,253,720	1,368,703	— 114,983
1889	...	...	1,161,339	1,234,697	— 73,358
1890	...	...	1,108,496	1,186,937	— 78,441
1891	...	...	1,386,285	1,338,845	+ 47,440
1892	...	...	1,556,955	1,460,701	+ 96,254
1893	...	...	1,582,619	1,429,607	+ 153,012
1894	...	...	1,618,880	1,513,391	+ 105,489
1895	...	...	1,454,925	1,573,849	— 118,924*

* Subject to revision.

GREECE.

	Amount outstanding.
Five per Cent. Loan of 1881	£4,174,800
" " " 1884	3,675,140
Four per Cent. Monopoly Loan, 1887 ...	5,321,800
Four per Cent. Rentes, 1889	6,200,000
Five per Cent. Loan, Piræus-Larissa Railway, 1890-1	2,396,900
Five per Cent. Funding Loan, 1893	365,507
Total	<u>£22,134,147</u>

Greek Committee.

Right Hon. Sir John Lubbock,
Bart., M.P., *Chairman*.
Charles E. Barnett, Esq.
Charles Cheston, Esq.
C. T. D. Crews, Esq.
Right Hon. Sir M. E. Grant Duff,
G.C.S.I.
Roger Eykyn, Esq.
Granville F. R. Farquhar, Esq.

Hon. Sir C.W. Fremantle, K.C.B.
F. L. Pattisson, Esq.
Capt. F. Pavy.
F. Praed, Esq.
C. M. Rose, Esq.
Sir George Russell, Bart., M.P.

Secretary.
James P. Cooper, Esq.

Area (including Ionian Isles, the
Peloponnesus, Epirus and Thes-
saly and the Archipelago) ... 24,528 square miles.
Population (1892) 2,187,208.
Capital, Athens. Population ... 107,250.

External Debt per head, about ...	£10.
King	George I.
President of the Council of Ministers and Minister of Finance ...	M. Theodor Delyannis.
British Minister in Athens ...	Edwin H. Egerton, Esq., C.B.
Greek Minister in London ...	M. Metaxas.

HISTORY OF THE DEBT (FOREIGN).

1824-5.—Five per Cent. Independence Loan. Issued at £59 and 56½ per cent. Original amount, £2,800,000. The interest was paid for two years and then fell into default.

(The Loan of the three Powers in 1838 is not a Loan in the ordinary sense, but an advance to the Greek Government ; it is being paid off regularly.)

1879.—Five per Cent. Bonds. Issued to convert the above, including the overdue interest, £1,200,000, at the following rates :—

£31. 12s. per £100 for Bonds of the 1824 issue.

£30. 10s. " " " 1825 "

£11. 12s. " arrear Coupons.

Paid off in 1890.

1879.—Six per Cent. Loan of 60,000,000 fr., issued in France at 392.50 fr. per 500 fr. Bond. Paid off in 1889.

1881.—Five per Cent. Loan, £4,800,000. Issued at 74 per cent. Secured on the Tax on the consumption of Tobacco, the Revenues from National Lands and Plantations, and the free Balance of Customs Receipts of Athens, the Piræus, Patras and Zante. The principal and interest of this Loan was to be free of all taxation.

1884.—Five per Cent. Loan, £4,238,600. Issued at 68½ per cent. Secured on the available Balance of the Customs Receipts of Piræus, Athens, Patras, Syra, Catacolo, Calamata, Cephalonia, Zante and Corfu, of the Stamp Tax, of the Revenues from National Lands and Plantations, and of the Tax on the consumption of Tobacco, with the whole Customs Receipts of Volo, Yagasi, and Arta. The Government officials were

to be held personally responsible for the due employment of the above-mentioned Revenues. The principal and interest of this Loan was to be free of all taxation.

1887.—Five per Cent. Monopoly Loan, £5,400,000. Issued at 67 $\frac{1}{2}$ per cent. Secured on the monopolies of Salt, Petroleum, Playing Cards, Matches, Cigarette Paper and Naxos Emery, the administration of which was confided to the Monopoly Company. The principal and interest of the Loan were to be free of all taxation.

1889.—Four per Cent. Rentes, £6,200,000. Issued in two portions at 72 and 77 $\frac{1}{2}$ per cent.

Two Six per Cent. Loans, *i.e.*, the Myli-Kalamata Railway Loan and the Missolonghi-Agrinion Railway Loan, were redeemed out of the proceeds of this Loan.

1890.—Five per Cent. Loan (Piræus-Larissa Railway), £2,400,000. Issued in two portions at 93 and 86 per cent.

1893.—Five per Cent. Funding Loan. This was issued under the Decree of 11th June, 1893, for the purpose of funding the interest on the Debt for three years, except on the Monopoly Loan of 1887. The Coupons maturing in June, July, and October of that year were paid in the Bonds of this Loan. In November, 1893, however, the Government decided to discontinue the Issue, which was thus limited to £365,507.

By the Law of the 10th-22nd December, 1893, the Coupons on the External Debt, including the Monopoly Loan of 1887, were, pending an Arrangement with the Bondholders, to be paid at 30 per cent. in gold of their nominal value, with the exception of those on the Piræus-Larissa Railway Loan of 1890 falling due on the 15th December, 1893, and on the Loans of 1881, 1884, and 1887 (Monopoly) due on the 1st January, 1894, which were to be paid at the rate of 50 per cent. in bank notes. It was also provided that the Coupons which fell due in June, July, and October, 1893, which had not been exchanged for scrip of the Funding Loan, should be treated in the same way. (The Agents abroad were autho-

rised to purchase these Coupons at the market rate of the day which has varied from about 5s. to 5s. 6d. per £.)

All Sinking Funds were suspended, and the revenues hitherto assigned to the National Loans were ordered to be paid into the Public Treasury. The Government also cancelled the Caisse recently established for the service of the Funding Loan, and appropriated for its own purposes the funds in the hands of the Monopoly Company.

1894.—In accordance with the above-mentioned Law, the interest on the Funding Loan due the 1st January, 1894, was paid at 30 per cent. in gold of its nominal value, and the Coupons on the other External Loans, including the Monopoly Loan, falling due after that date, have been paid at the same rate. These payments were made "without prejudice to the Bondholders, and under reservation of all their rights, pending a final settlement of the Debt." The Council have meantime registered the claims of the Bondholders to the 70 per cent. unpaid, except in the case of the Funding Loan, where the amount paid is stamped on the scrip pending the issue of the definitive Bonds.

NEGOTIATIONS.

In June, 1895, the Council received an intimation from the Greek Government that they would be prepared to resume the negotiations for the settlement of the Debt. With this object in view they had instructed their Ministers in Berlin, Paris, and London, to confer with the Bondholders' Committees in those capitals. It was felt, however, that there would be much inconvenience and delay in carrying on three separate negotiations simultaneously, and the Committees suggested that the Government should nominate one of the Ministers to settle the preliminaries with the Representatives of the Bondholders. After some discussion this course was adopted and the *pourparlers* commenced on the 27th December last, Paris being chosen

as the place of meeting, on account of its central position, and M. Valfrey, the President of the French Committee, was requested to represent the English Committee in the preliminary stages of the negotiations.

A long time was spent at the outset in the discussion of the principles which were to govern the question of the right of Bondholders to participate in the improvement which might in the future take place in the financial condition of Greece, and also as to the guarantees to be given for the due transmission to the Bondholders of the funds assigned for the Service of the Debt.

After wearisome delays the Committees have presented to M. Delyannis a Project of Arrangement, and they now await the approval of the same by the Greek Government.

ARREARS OF INTEREST.

The Council have continued to register the claims of the Bondholders to the 70 per cent. on the Coupons of the External Debt.

FINANCIAL STATEMENT.

The following Statements are condensed from the Speech made by M. Delyannis in introducing the Budget on the 8th February, 1896 :—

After some introductory remarks, the Minister said that the economic situation resulting from the Law of December 10th, 1893,* had made it necessary for the Government to meet, out of ordinary Revenue, not only the ordinary Expenditure, but also the extraordinary expenses formerly defrayed out of the proceeds of Loans. The Government

* Law reducing the interest of the External Debt.

had always endeavoured to keep down the expenses of administration, in order that there might be a margin available for extraordinary requirements. There were certain extraordinary expenses which good faith obliged the Government to meet, such as the maintenance and improvement of internal roads and means of transit, for which Taxes amounting to five million drachmæ had been paid. If that sum had been devoted to other objects the Government would have laid itself open to a charge of bad faith. Besides this, public interest demanded that the Railway works, interrupted in consequence of the crisis in 1893, should no longer remain in abeyance. The Myli-Kalamata and Piræus-Larissa Railways were in this category, and efforts must be made to complete them.

Two of the most important of the national Taxes—those on Wine and on Ploughing Animals—were unequal and unjust in incidence, and the former vexatious in the manner in which it was assessed. But it was impossible, at the present time, to undertake their modification.

So long (he said) as we cannot give the Creditors of the State all that they have, under the Conventions, a right to demand, we should give cause for well-founded complaint, if, before settling definitively the relations of the State with them, we proceeded to legislative measures which might be considered as tending to reduce our revenue. When the relations of the State with its Creditors have been settled in one way or another, the Government will resume its liberty of action, and, whether it is composed of ourselves or of our successors, will not fail, I am sure, to lay before the Chamber a proposal relative to the modification of these two Taxes.

We were (he continued) of opinion that we ought to give a striking proof of the good faith of the State towards its Creditors, and so long as our relations with the Creditors shall not have been settled by common accord, it is our duty to avoid any alteration tending to reduce the receipts, or which might be considered to have that tendency.

The Expenditure for 1895 had been put down at

93,035,649 dr., to which must now be added 1,820,095 dr., supplementary votes, making a total of 94,855,744 dr., while the Expenditure for 1896 was estimated at 90,222,350 dr., a reduction of 4,633,393 dr. on that of the preceding year.

A further sum of 691,882 dr., which should have been paid in former years, was also included in the Expenditure for 1895, bringing the supplementary votes to a total of 2,511,977 dr.

Comparing the total Expenditure in 1895 of 94,855,744 dr. with the estimated Revenue of 93,461,348 dr., there appeared a deficit of 1,394,396 dr.

The results, however, were somewhat more favourable. In 1895 the Customs yielded more than the estimate. During 1894 the receipts were 26,707,003 dr., but this figure was believed to be abnormal, and was ascribed to:—(a) increased importation on account of the exhaustion of stocks following on the depression caused by the financial crisis which culminated in the Law of the 10th December, 1893; (b) importation in consequence of the rumoured intention of the Government to increase the Tax on Wheat. The Estimate of Customs revenue was therefore fixed at 24 million drachmæ. As a matter of fact, the receipts from this source in 1895 reached 2,093,221 dr. in excess of that Estimate, and this covered the deficit of 1,394,396 dr., as well as the 691,882 dr. extraordinary Expenditure, which should properly have been charged in former years. In addition to the surplus of 425,698 dr., anticipated by the Budget of 1895, there was a *plus value* of 2,093,221 dr. from Customs and an excess income from Tobacco of 274,074 dr.

Furthermore, during the six months that the present

Government had held office, they had exercised considerable economy regarding the funds voted for the public service, as would be seen when the accounts came to be presented.

The necessity for supplementary credits betrayed a want of forethought in the mode of framing Budgets of former years. The Government hoped that this would be corrected in the future.

Dividing Expenditure into three wide categories, it appeared that the returns for 1895 and the estimates for 1896 were as follows :—

	1895.	1896.
	Dr.	Dr.
Service of the Debt	21,926,326	21,692,059
General Expenses	69,843,917*	65,481,791
Extraordinary Expenses... ..	3,753,382	3,048,500
Totals	95,523,625	90,222,350

* Including arrears of former years.

This sum of nearly 70 million drachmæ for the general expenses of administration appeared indeed excessive, but the political circumstances of the year 1895 had made it impossible, in the opinion of the Government, to effect economies. As regards 1896, however, it was hoped that the figures given would be final, and that no supplementary credits, or at least very insignificant ones, need be asked for.

The Estimates for the two years compared as follows :—

					Expenditure.	Revenue.
					Dr.	Dr.
1895	...	...	...	...	93,035,649	93,461,346
1896	...	...	...	...	90,222,350	90,894,541
Decrease					2,813,299	2,566,805

The diminution in the revenue was mainly due to a Law of last session, under which the State no longer received the sums contributed for Communal Schools, which were estimated in 1895 at 2,500,000 dr.

A further Law which awaited the approval of the Chamber* provided that the State should no longer receive 1,200,000 dr. at present paid to it for the maintenance of the Communal Police. By handing these two branches of the Administration over to the Communes the National Budget would, of course, profit by a corresponding reduction in expenditure, and only 1,500,000 dr. was put down in the Budget for 1896 as the sum which the Exchequer would be called upon to pay to supplement the requirements of Communal Education, and similarly the expenses of Police, except in large towns, would be paid by the Communes. As the Police Bill had not yet been passed, no reduction had been made on the Expenditure side, but as soon as it was sanctioned the necessary alterations would be made in the Budget, and a very material economy would go to swell the anticipated surplus for 1896.

In the Budget for 1896 the following items of Revenue, which were included in that for 1895, disappeared:—

	Dr.
1. Communal Contribution to Education	2,500,000
2. " " " " Police... ..	1,200,000
3. Exceptional Revenue from sale of Currants received in kind	1,460,140
4. Educational Fees (now reduced)	245,230
5. Hire of Election Urns, etc.	138,000
Total	<u>5,543,370</u>

If these amounts had been included in the Budget

* This has now been given, but the measure awaits the Royal assent.

for 1896, the estimated Revenue for that year would have exceeded that of 1895 by 2,976,563 dr.

On the other hand, the Estimates for 1896 included the following Expenditure in excess of those for 1895 :—

Repairs, Maintenance, etc., of Roads	
and Railways	1,776,500 dr.,
and a further sum, under various heads,	
of about	2,371,180 dr.,

which were either not included in the 1895 Budget or which exceeded the Estimates for that year.

The Budget for 1896, as above stated, should yield a surplus of 672,190 dr., to be increased by 1,200,000 dr., if the Police Bill be adopted.

It was also hoped that the Customs would yield considerably more than the Estimates, which had purposely been kept low, in order to prevent any possibility of the recurrence of a deficit.

After tracing the progress of the negotiations with the representatives of the Bondholders for a definitive settlement of the Debt, the Prime Minister said :—

The profound desire of the Government was to give a striking proof of the good faith of the Country and of the sincerity of the State. I am persuaded that the Hellenic people have the same desire, because they have taken to heart the reproaches from all quarters addressed to those who, in order to escape the necessity of failing in their obligations, voluntarily submitted to sacrifices which few peoples have hitherto borne.

As I declared last year, in my address to the electoral Colleges, and later in the Chamber, when we assumed office, we most ardently desire to conclude an Arrangement. We desire this above everything, not only that the Country may recover its credit, not only that the State may be able to occupy itself with other questions the solution of which is indispensable—for the settlement of the Debt.

alone cannot heal the sores of the Country and the State—but also that we may silence those who would otherwise continue to speak of our Country in disrespectful terms.

The Minister then went on to say that the next question which required solution was the anomalous condition of the Currency. This had its origin in the want of equilibrium between the Revenue and Expenditure. It must be the endeavour of the Government, not only to decrease Expenditure, but to increase Revenue. It was not possible to impose new Taxes, nor could the existing Taxes be made, under present circumstances, to yield more. The solution must be sought in the encouragement of National productions, and he called upon the Chamber to co-operate with the Government in furtherance of that object.

The Minister then recounted the measures he proposed to introduce during the Session. These included four Bills for the relief of Agriculture in Thessaly; * a measure for the administration and protection of Forests; provision for the warehousing, etc., of Currants; some modifications of the Stamp Laws; a reduction of interest on Caution Money deposited by public functionaries.

A considerable portion of the following statistics has been kindly furnished by the Secretary of H.M.'s Legation at Athens, from the material of a Report about to be presented to the Foreign Office, and the Council desire to express their thanks for the same.

The following Table shows the Revenue for 1894, compared with the Budget Estimates, as well as the difference in the total Receipts as compared with 1893 :—

* These have been dropped for the present, having encountered violent opposition from the landowners, who denounced them as merely devices to catch the peasant vote.

REVENUE FOR FINANCIAL YEAR 1894.

Description.	Budget Estimates.	Total Receipts.	Arrears on Assessment.	Difference in total receipts compared with 1893.
DIRECT TAXES.				
Ploughing Animals	2,133,000	2,110,037	611,002	— 149,904
Orchards and Pastures	145,000	132,542	142,399	— 14,609
Oil	900,000	1,078,403	2,989	— 1,255,950
Wine	1,848,000	1,939,084	956,846	+ 49,858
Currants	4,068,000	4,713,793	10,566	+ 296,493
Figs	284,400	475,948	..	+ 86,791
Various	280,500	180,346	..	— 14,699
Ionian Islands	2,430,000	1,670,749	..	— 418,042
Cattle	2,058,000	2,202,059	574,218	— 49,369
Licenses	1,960,000	2,199,940	1,545,881	— 176,750
Houses	1,930,000	2,167,729	625,417	+ 61,145
Joint Stock Companies	200,000	231,461	..	+ 11,170
Total	18,236,500	19,102,100	4,369,321	— 1,573,868
TAXES ON CONSUMPTION.				
Imports (Customs)	18,000,000	26,707,099	..	+ 4,403,119
Excise on Tobacco	5,808,400	6,563,944	6,956	+ 769,228
„ Spirits	60,000	91,679	13,971	+ 263,559
„ Wine by retail	350,000	281,401	73,834	+ 49,777
Total	24,218,400	33,644,164	24,762	+ 4,958,566
STAMPS AND DUES.				
Stamps	12,477,067	12,462,421	24,763	— 119,122
Consular Fees	560,000	546,999	29,781	+ 29,201
Posts	1,580,000	1,600,218	..	+ 10,828
Telegraphs	757,000	740,221	1,265	— 3,006
Export Duty	8,000	61,406	..	+ 36,299
Fines, etc.	1,629,500	1,854,498	1,448,121	— 126,319
Exemption from Military Service	1,600,000	1,513,398	7,836	+ 1,708
Weighing Fees	81,000	100,702	..	+ 14,325
Anchorage Dues	421,172	358,522	..	+ 56,331
Trade Marks	10,000	6,060	..	— 2,580
Total	19,123,739	19,244,448	1,511,766	— 174,932
MONOPOLIES.				
Cigarette Paper	2,400,000	2,723,907	1,986	+ 348,542
Playing Cards	300,000	297,425	..	— 13,996
Matches	925,000	933,458	..	+ 14,999
Petroleum	5,200,000	5,045,007	113,177	— 105,345
Salt	2,202,000	2,355,758	405	+ 229,127
Total	11,027,000	11,355,555	115,568	+ 473,326
STATE PROPERTY.				
Real Property	239,331	185,166	71,515	— 961
Church Property	241,000	247,299	20,435	— 3,149
Mines, Quarries, etc.	849,000	562,578	72,501	— 49,808
Movable Property .. .. .	..	..	..	..
Establishments and Works	341,865	254,467	19,798	— 125,058
Bathing Places	72,000	71,121	6,809	+ 351
Forests	1,304,600	1,753,489	56,398	+ 223,631
Fisheries	478,000	446,628	30,097	— 7,770
Railways	10,000	..	..	..
Total	3,535,796	3,520,751	277,555	+ 37,235
Sale of State Property	1,320,119	767,178	2,147,564	— 163,478
SUNDRY REPAYMENTS AND DEDUCTIONS.				
Repayment of Advances	37,915	50,633	72,323	+ 4,019
Pension Fund	903,000	668,120	1,229	— 388,429
Miscellaneous	237,000	263,908	79,362	— 7,904
Total	1,177,915	1,012,661	152,914	— 392,374
SUNDRY RECEIPTS AND ARREARS.				
Sundries	358,600	4,255,236	88,286	+ 4,025,146
Payments on account of former years	3,720,000	2,810,822	58,309	— 869,906
Total	4,078,600	7,066,058	146,595	+ 3,155,240
Lighthouse Dues	450,000	337,381	19	+ 31,584
International Telegraph	600,000	766,439	144	— 5,048
PRIMARY EDUCATION.				
Communal Contributions	1,800,000	1,138,412	482,064	— 332,627
Other Receipts	161,200	52,628	79,034	— 46,204
Total	1,961,200	1,191,040	561,098	— 78,831
POLICE.				
Communal Contributions	1,200,000	721,499	404,523	—
EXTRAORDINARY RECEIPTS.				
Sale of Material	200,000	309,540	3,673	+ 80,659
Profit on Exchange	120,000	1,588,321	..	+ 442,102
Coinage	1,500,000	1,268,000	..	— 232,000
Total	1,820,000	3,165,862	3,673	— 593,443

SUMMARY.

	Total Receipts.	Differences Compared with 1893.
	Drachmæ.	Drachmæ.
Direct Taxes	19,102,100	— 1,573,868
Taxes on Consumption.. .. .	33,644,164	+ 4,958,566
Stamps and Dues	19,244,448	— 174,932
Monopolies	11,355,555	+ 473,326
State Property	3,520,750	+ 37,235
Sale of Property	767,178	— 162,478
Repayments and Deductions	1,012,662	— 392,374
Sundries	7,066,058	+ 3,155,240
Lighthouse Dues	337,381	+ 31,584
International Telegraphs	766,439	— 5,048
Receipts on account of Primary Education	2,191,040	— 378,831
Communal Contributions to Police	721,499	—
Extraordinary Receipts	3,165,862	— 593,443
Grand Total	102,895,141	+ 5,373,977

The following Table shows the Revenue estimated and collected for 1895, together with the Estimates for 1896:—

REVENUE 1895 AND 1896.

Description.	Budget Estimate for 1895.	Returns to Dec. 31st, 1895. ^a	Budget Estimate 1896.
DIRECT TAXES.			
Ploughing Animals	2,230,000	900,552	2,180,000
Oil	1,100,000	427,839	1,150,000
Wine	1,870,000	90,151	1,894,800
Currants	3,565,100	3,247,714	4,404,700
Ionian Islands	2,404,668	1,394,253	1,896,249
Cattle	2,290,000	1,308,363	2,203,800
Licenses	2,065,000	750,284	2,270,000
Houses	2,100,000	752,294	2,143,100
Joint Stock Companies.. ..	200,000	70,112	225,000
Sale of Currants	1,460,140	..	1,460,140
Sundries	722,000	524,153	798,840
Total	20,006,908	9,465,715	20,626,729
TAXES ON CONSUMPTION.			
Customs	24,000,000	25,654,225	26,000,000
Tobacco	6,388,000	6,672,162	6,678,000
Spirits	60,000	95,880	90,000
Wine	350,000	245,153	255,895
Total	30,798,000	32,667,420	33,023,895
STAMPS AND DUES.			
Stamps	11,751,230	11,557,921	11,265,000
Consular Fees	515,000	363,901	515,000
Posts	1,580,000	1,608,583	1,965,000
Telegraphs	1,413,000	1,186,639	1,413,000
Exemption from Military Service	1,400,000	1,622,360	1,466,292
Anchorage Dues	300,000	357,572	300,000
Sundries	1,752,500	1,148,241	1,818,174
Total	18,711,730	17,845,217	18,922,464
MONOPOLIES.			
Cigarette Paper	2,665,000	2,686,797	2,688,000
Playing Cards	305,000	216,636	310,046
Matches	934,000	857,489	1,015,047
Petroleum.. .. .	5,190,000	3,370,499	5,358,000
Salt.. .. .	2,279,250	1,990,563	2,389,285
Total	11,373,250	9,121,984	11,760,378
STATE PROPERTY.			
Real Property	420,820	265,625	437,146
Royalties	1,229,740	720,953	1,119,492
Forests	1,528,000	1,580,360	1,610,000
Fisheries	466,000	388,855	458,092
Total	3,644,560	2,964,799	3,624,730
Sale of State Property	994,900	357,079	972,400
REPAYMENTS, ETC.			
Repayments of Advances	179,000	186,211	45,000
Pensions	867,000	133,034	867,000
Miscellaneous	111,000	36,491	132,600
Total	1,157,000	355,736	1,044,600
SUNDRIES.			
Sundries	320,000	106,893	320,000
Payments on account of former Years	2,035,000	2,289,283	3,267,000
Total	2,355,000	2,396,176	3,587,000
Lighthouse Dues	300,000	356,933	300,000
Communal and other Contributions to Education..	2,600,000	413,946	100,000
Communal Contributions to Police	1,200,000	83,048	600,000
Extraordinary	320,000	740,663	700,000
Grand Total	93,461,348	76,768,716	95,262,196

^a A period of 20 months is in Greece allowed for the "exercise" of the Budget, that is to say, eight months are allowed for closing the accounts.

The following Table shows the Expenditure estimated and paid for 1895 and the Estimates for 1896:—

	1895.		1896.
	Estimates.	Payments to 31st Dec.	Estimates.
	Drachmæ.	Drachmæ.	Drachmæ.
Public Debt	21,926,327	19,995,696	21,692,059
Allowances	134,500	92,039	130,000
Pensions	5,177,100	3,016,996	5,361,700
Civil List	1,325,000	1,325,000	1,325,000
Legislature	490,320	825,735	862,920
Departments of—			
Foreign Affairs	2,129,311	1,229,032	2,203,681
Justice	5,351,160	4,071,786	5,394,110
Interior	13,043,019	9,303,118	12,894,740
Worship and Instruction ...	7,789,689	5,911,866	5,083,405
War	15,416,184	12,235,458	15,999,586
Marine	5,500,714	4,536,344	5,640,476
Finance	2,824,855	3,086,137	1,496,538
Administration	9,325,489	5,086,986	9,292,957
Sundries	2,601,981	911,716	3,546,368
Pending Payments based on Orders Issued ... ..	...	2,119,367	—
	93,035,649	73,747,276	90,923,540

* See Note on previous page.

The following Tables are taken from Mr. Maxse's Report on the trade of the Piræus. They show the quantities and values of the principal Imports and Exports for the last three years. Some caution must be exercised in comparing the years 1893 and 1894, owing to an alteration in the official values of Currants and Emery, which came into operation in 1894, as mentioned in last year's Report.

With regard to the Currant crisis, Mr. Maxse says:—

The Government attempted to meet the fall in the price of Currants by ordering the retention by Government of 15 per cent. of all Currants exported. Should, however, the price of Currants exceed 90 dr. (40s.) per 1,000 Venetian pounds (1,050 lbs.), then the growers were to pay the 15 per cent. in cash, and not in kind. This measure was opposed in two important districts. At present about 13,000,000 okes (16,250 tons) of Currants have been retained in the Government stores. A Company has offered to purchase the whole amount, for the purpose

of manufacturing Sugar, and various Cognac distillers have offered to purchase large quantities for distilling.

This measure of enforced detention has not had the effect hoped for, and, like every attempt to interfere with the law of supply and demand, must end in utter failure.

IMPORTS, 1893-95.

Articles.		1893.		1894.		1895.		Increase + or Decrease—
		Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	
Wheat and Meslin.	Bushls.	3,677,954	932,060	4,934,560	1,221,153	4,471,528	1,103,236	-117,917
Yarn and Woven Stuffs	Cwts...	52,198	526,003	85,649	781,731	82,329	813,253	+ 31,502
Coal and Raw Metals	Tons ..	196,424	440,535	200,683	471,043	203,270	523,667	+ 52,624
Fish, Caviare, etc..	Cwts...	97,265	161,968	96,009	133,944	103,414	166,172	+ 32,228
Raw Hides	" ..	56,908	148,612	63,709	165,395	45,038	117,378	- 48,017
Wood and Timber..	C. mtrs.	51,595	138,300	59,600	212,798	49,870	185,384	- 27,414
Mineral Ore and Metals (worked)..	Tons ..	3,010	133,318	5,555	179,484	4,620	145,252	- 34,222
Sugar	Cwts...	112,054	116,536	117,568	122,271	111,649	116,352	- 5,919
Live Stock	Head..	81,708	115,837	57,190	91,950	62,769	91,149	- 801
Coffee	Cwts...	20,954	92,197	21,701	95,485	21,326	91,557	- 3,928
Rice	" ..	75,030	66,028	89,873	79,088	96,064	84,021	+ 4,933
Wine and Alcoholic Beverages	Gallons	29,932	11,268	28,643	10,460	19,250	6,411	- 4,049
Sundries	" ..	"	776,735	"	835,198	"	827,270	- 7,928
Total	" ..	"	3,659,397	"	4,400,000	"	4,267,082	"
Net Decrease ..	" ..	"	"	"	"	"	"	-128,918

EXPORTS, 1893-95.

Articles.		1893.		1894.		1895.		Increase + or Decrease—
		Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	
Silk and Cocoons	Cwts...	3,264	55,847	2,240	41,342	3,229	67,588	+ 26,246
Sponges	" ..	2,863	91,625	2,300	73,617	1,906	60,986	- 12,631
Currants	Tons ..	138,460	1,850,986	150,997	901,955	144,907	876,264	- 25,691
Fruits (fresh and dry)	Cwts...	262,520	107,445	443,145	153,447	445,567	154,447	+ 1,000
Tobacco	" ..	51,952	98,126	46,430	88,647	38,755	80,437	- 8,210
Olive Oil	" ..	74,300	107,000	192,341	276,971	88,933	127,311	- 149,660
Olives	" ..	24,210	17,430	71,884	51,757	77,280	55,602	+ 3,845
Soap	" ..	15,814	21,500	17,706	24,081	18,882	29,679	+ 5,598
Tanned Hides ..	" ..	2,031	21,573	1,744	18,865	1,235	12,675	- 6,190
Ores	Tons ..	153,818	600,105	184,802	534,433	278,167	745,076	+ 210,643
Emery	" ..	1,000	8,727	5,815	75,225	2,116	5,575	- 69,650
Wine in Cask ..	Galls..	4,194,265	167,770	4,914,970	198,799	4,224,207	179,037	- 19,762
Cognac	" ..	Nil	Nil	164,480	70,492	118,677	50,904	- 19,588
Sundries	" ..	"	317,930	"	536,672	"	316,610	- 220,062
Total	" ..	"	3,521,354	"	2,996,304	"	2,762,191	"
Net Decrease ..	" ..	"	"	"	"	"	"	-284,112

The returns for the first quarter of the present year have just been received. They compare as follows with the same period of 1895 :—

			Imports.	Exports.
			Dr. 28,112,183	Dr. 15,979,706
1896, 1st quarter	...	...	18,644,863	14,807,448
1895, " "	...	...
Increase	..	...	9,467,320	1,172,258

The increase in Imports is mainly due to Cereals and to Yarn and Tissues; that in Exports, to Currants; but there is a falling off in many other articles exported.

The following Table shows the Course of Exchange per £1 during 1894 and 1895 :—

Month.	1894.		1895.	
	Highest.	Lowest.	Highest.	Lowest.
	Dr.	Dr.	Dr.	Dr.
January	42'50	41'70	47'50	46'10
February	43'15	42'60	47'60	45'50
March	43'65	42'90	47'30	47'00
April	43'55	43'25	47'20	46'60
May	44'40	42'35	46'70	45'00
June	43'85	42'85	45'50	44'40
July	44'20	43'50	44'80	44'50
August	44'40	43'20	44'60	44'00
September	43'90	43'55	44'20	43'90
October	44'35	43'70	44'00	43'75
November	45'45	44'30	44'50	43'80
December	47'50	45'65	44'10	44'50

The following table gives the details of the provision made for the service of the Greek Debt :—

Description of Loan.	Original Amount.	Nominal Interest %	INTEREST VOTED 1896.		SINKING FUND VOTED 1896.	
			Gold.	Paper.	Gold.	Paper.
PERMANENT GOLD DEBT.						
Consolidated Loan, 1889	£1,200,000	4	Dr.	Dr.	Dr.	Dr.
" " " 1889	5,000,000	4	360,000	..	..	..
Sinking Fund Loan, 1880	Fcs. 120,000,000	5	1,500,000	..	..	..
" " " 1884	" 170,000,000	5	1,570,027	..	..	..
" " " 1887	" 135,000,000	4	1,380,315	..	..	..
Piræus Larissa Railway Loan, 1890	" 60,000,000	5	1,596,540	..	..	..
Funding Loan, 1893	100,000,000	5	868,898	..	..	..
Loan guaranteed by 3 Powers, 1838	Dr. 100,392,834	..	146,292	..	900,000	..
Total..	..	..	7,452,072	..	900,000	..
PERMANENT PAPER DEBT.						
Consolidated Balance of Loan, 1874	Dr. 26,000,000	5	..	1,015,475	..	..
" " " 1876	" 10,000,000	5	..	443,313	..	..
" " " 1880	" 9,000,000	5	..	489,500	..	..
" " " of road-making Loan, 1878	" 17,742,176	5	..	94,135	..	..
Patriotic Loan, 1885	" 2,723,860	..	..	9,080	..	36,280
Sinking Fund Loan, 1887	" 15,000,000	4	..	591,800	..	..
" " " 1892	" 16,500,000	4	..	597,550	..	452,500
Debt to King Otho's heirs, 1868 ..	" 4,005,000	4	..	76,245	..	124,004
Total..	..	..	..	2,917,799	..	612,784
FORCED CURRENCY DEBT.						
Loan in Gold .. ..	..	1	168,000	..	..	..
Loan in Bank-notes .. ..	..	1	..	740,000	..	..
Fractional Currency Loan	Dr. 18,000,000	1	..	140,000	..	..
Exchequer Bills .. ..	..	5	..	700,000	..	..
			168,000	1,580,000	..	..
FLOATING DEBT IN GOLD.						
Provisional Loan	Dr. 5,989,450	6	359,367	..	..	..
" " "	£40,000 0 0	5	..	..	..	..
" " "	37,000 0 0	5	..	..	..	..
" " "	4,373 12 2	5	37,812	..	..	..
" " "	Fcs. 700,000	6	..	..	..	..
" " "	703,733	6	42,000	..	..	..
" " "	£66,558 12 0	6	42,224	..	..	..
" " "	62,166 8 0	5	99,838	..	..	..
" " "	31,471 14 9	5	..	..	..	..
" " "	31,471 14 9	5	39,340	..	..	..
" " "	35,000 0 0	5	39,339	..	..	..
" " "	66,160 0 0	5	59,063	..	..	..
" " " .. ..	..	5	111,645	..	..	..
Total..	..	..	850,628	..	..	..
Sundry Charges .. ..	..	..	41,000	111,000	..	..
Estimated Loss by Exchange ..	..	..	..	7,058,776	..	..
RECAPITULATION.						
Permanent Debt in Gold .. ..	..	..	7,452,072	..	900,000	..
" " " in Paper .. ..	..	..	..	2,917,799	..	612,784
Forced Currency Debt .. ..	..	..	168,000	1,580,000	..	..
Floating Debt in Gold .. ..	..	..	850,628	..	..	..
Sundry Charges .. ..	..	..	41,000	111,000	..	..
Estimated Loss by Exchange ..	..	..	..	7,058,776	..	..
			8,511,700	11,667,575	900,000	612,784
Total Charge for Debt.. .. 21,692,057 drachmæ.						

GUATEMALA.

New Four per Cent. External Debt of Guatemala of 1895 :—

Amount authorised	...	...	...	£1,600,000
Less amount redeemed	...	...	...	32,565
Total	...	...	...	<u>£1,567,435</u>

Guatemala Committee.

Right Hon. Sir John Lubbock, Bart., M.P., <i>Chairman</i> .	F. G. Horne, Esq.
E. J. Allcard, Esq.	Rt. Hon. W. L. Jackson, M.P.
J. C. Bayley, Esq.	T. G. Surgey, Esq.
E. M. Bristowe, Esq.	Joseph Tucker, Esq.
James Roberts Brown, Esq.	General Sir Luther Vaughan K.C.B.
Tudor Crawshay, Esq.	
Hon. Sir C. W. Fremantle, K.C.B.	<i>Secretary.</i>
L. Hansard, Esq.	James P. Cooper, Esq.

Area	...	...	...	...	46,800 square miles.
Population (estimated 1892)	...	...	...	...	1,510,300.
Capital, Guatemala la Nueva.	Popu-				
lation (1893)	...	...	...	...	71,000.
External Debt (per head)	...	...	...	...	£1. 7s.

President...	...	...	...	General J. M. Reyna Barrios.
British Minister and Consul General at Guatemala	...	...	...	Audley C. Gosling, Esq.
Guatemalan Envoy and Minister to Great Britain (resident in Paris)	...	...	...	Dr. Fernando Cruz.

HISTORY OF THE DEBT.

- 1825.—A Six per Cent. Loan for £1,428,571 was offered by the Central American Federation, of which the present Republic of Guatemala then formed part, but only £163,300 was issued, at 73 per cent.
- 1827.—On the breaking up of the Federation, Guatemala assumed five-twelfths of the £163,300, or £68,000.
- 1828-55.—The Loan was in default during this period.
- 1856.—An arrangement was made which provided for the conversion of the outstanding Loan and arrears of interest into a Five per Cent. Federal Loan for £100,000, Guatemala acknowledging her liability for one-third of the original Loan of 1825, viz., £54,433, and the interest in arrear from 1828 to 1856, reduced and estimated at £45,567. The Conversion was carried out in London by Messrs. Isaac & Samuel. As security 50 per cent. of the Customs Dues were hypothecated.
- 1863.—A Five per Cent. Loan for £11,000 was issued privately in London for the construction of roads, piers and bridges. This Loan went into default in February, 1864.
- 1869.—Messrs. Thomson, Bonar & Co. issued a Loan for £500,000 at 70½, bearing interest at 6 per cent., with an accumulative Sinking Fund of 3 per cent. The Import Duties of the Republic were assigned as security for this Loan.
- 1876.—The Loans of 1856 and 1869 went into default.
- 1878.—One-third of the Coupon due 1st April, 1876, was paid in November this year, no payment being made on the subsequent Coupons.
- 1884.—An Arrangement was accepted by the Bondholders, but owing to political disturbances it was not carried out.
- 1887.—The Government issued a Decree providing for the Consolidation of the Internal Debts and also for a settlement of the External Debt on the following bases :—The principal and arrear interest to be funded at par into a new Four per Cent. External Consolidated Debt. A Sinking Fund of ½ per cent. to be applied by half-yearly Drawings at par, to come into operation three years after the acceptance of the Decree by

the Bondholders. As security the Government assigned a portion of the Maritime Duties (particulars of which were annexed to the Decree) which were to be paid by the Importer to a Committee consisting of three members representing the External Bondholders, the Internal Bondholders, and the Railway Companies respectively.

- 1888.—The External Bondholders accepted the Decree of 1887, and New External Consolidated 4 per Cent. Bonds for £922,700 were issued by Messrs. Thomson, Bonar & Co. The Bondholders having to provide the expenses of the operation voted 28 per cent. of the arrear interest for this purpose. Each £100 Bond of the 1856 Loan, with £62. 1s. 8d. interest arrears, was exchanged for £144. 14s. od. New 4 per Cent. Bonds, and each £100 Bond of the 1869 Loan, with £72. 10s. od. interest arrears, for £152. 4s. od. New 4 per Cent. Bonds.

The Decree of 1887 also provided for the Conversion of the Internal Bonds into a New Consolidated Internal Debt, upon conditions similar to those prescribed for the External Debt. The principal was redeemable at the rate of £16 per \$100 New Bonds by an accumulative Sinking Fund of 1 per cent. and the interest was payable quarterly, at the rate of 6 per cent. per annum, or £4. 16s. od. per \$500 (£80) Bond. The security was the same as for the External Debt. These Bonds were issued in Guatemala, and were introduced upon the London market in 1888. The total thus introduced was \$6,400,000.

(The 1863 Loan was extinguished during this year.)

- 1894.—Default took place upon both the External and Internal Consolidated Debts, and the Committee of the Public Debt was suspended.
- 1895.—A new Arrangement was accepted by the Bondholders in May, 1895, on the following bases : Unification of the External Debt (amount outstanding £890,300) and the Internal Debt (amount outstanding \$6,025,900, or say £964,144) into a New Consolidated 4 per Cent. Debt for £1,600,000. The External Bonds, with interest arrears from 1st January, 1894, to June 30th 1895 (£53,262), to be converted at the rate of £75 New for £100 Old Bonds. The Internal Bonds, with arrears for the same period (£86,772) to be converted at the rate of £75 New for each \$500 or £80 Old Bonds. A non-accumulative Sinking

Fund of £15,000 per annum, to be applied by purchases on the market. The Bonds to be secured by a special tax of six shillings on each quintal of coffee exported, fixed irrevocably at this rate for the next ten years, commencing July 1st, 1895, the proceeds to be paid to the Agent of the Bondholders at Guatemala. The interest on the New Bonds to commence from June 30th, 1895.

1895.—At the end of this year a Loan was negotiated by the Government with Messrs. Müller & Thomsen, of Hamburg, for £658,500, for the construction of the Northern Railway. This Loan, which bears 10 per cent. interest, is secured upon (1) the surplus Coffee Warrants, corresponding to the entire coffee crops of 1895-6, 1896-7, and 1897-8, remaining over after the payment of the service of the Four per Cent. External Loan; (2) the revenues specially assigned for the construction of the Northern Railway and on its working receipts from December 1st, 1895, to May 31st, 1898; and (3) the Tax of 20 per cent. in gold paid by Mercantile Houses as Importation Dues.

Messrs. Müller & Thomsen bind themselves to attend to the service of the Four per Cent. External Debt up to June 30th, 1898, leaving in the possession of the Bondholders' Agent the amount in Coffee Warrants necessary to provide for the same. The Loan is to be entirely paid off by 31st May, 1898.

REPORT.

The Bases of Arrangement for the Settlement of the Debt were, as stated in the Appendix to last year's Report, submitted to and approved by the General Meeting of Bondholders held at the Councilhouse on May 20th, 1895. The Congress of Guatemala closed its Session early in that month and, immediately before its adjournment, passed a Decree (No. 303) on May 9th, which was confirmed by a Presidential Decree (No. 512) dated May 25th, dealing with the proposed Arrangement. It was found, however, on receipt of the text of these Documents in London that, owing to a misapprehension on the part of

the Government as to the exact terms of the Arrangement, these Decrees were not in some respects in strict accordance therewith.

As soon as the Government were notified of these discrepancies, they at once authorised Dr. Fernando Cruz, their Minister in Europe, to enter into an Agreement with the Council and Committee in accordance with the Bases of Arrangement accepted by the General Meeting of Bondholders.

This Arrangement, dated July 11th, 1895, is as follows :—

THE CONSTITUTIONAL PRESIDENT OF THE REPUBLIC OF GUATEMALA, JOSÉ MARIA REINA BARRIOS, acting through Dr. Fernando Cruz, Minister Plenipotentiary of the Government of Guatemala to England, does hereby agree with the Corporation of Foreign Bondholders acting in conjunction with the Committee of Guatemalan Bondholders, as follows :—

ARTICLE 1. The External Consolidated Debt and likewise the Internal Consolidated Debt of the Republic of Guatemala, both of these being recognised by Decree No. 394, of the 29th of August, 1887, are hereby unified and consolidated into one sole Debt for the nominal amount of £1,600,000 sterling gold, and which shall be styled "The Four per Cent. External Debt of Guatemala."

ARTICLE 2. The total amount of the Debt of Guatemala made up to the 1st of January, 1894, is as follows :—

Amount of the Internal Consolidated Debt

\$6,025,920 at the rate of £16 per \$100 ... £964,144

Amount of the External Debt, say ... 890,300

ARTICLE 3. In conformity with the Bases of Arrangement accepted in London, on the 20th of May of the present year, by a General Meeting of the Bondholders of both Debts, the Old Bonds with their respective unpaid Coupons will be exchanged for New Bonds of the said Four per Cent. External Debt at the following rate :—

A. For every £100 of the External Debt (1887 Issue) will be given £75 of the new Four per Cent. Issue.

B. For every \$100 of the 1887 Issue will be given £15 of the new Four per Cent. Issue.

The amount of any missing Coupons will be deducted from the New

Bonds at rates to be agreed between the Minister and the Agents for the service of the Debt.

ARTICLE 4. The new Issue shall be made in Bonds, which shall have attached to them Coupons for the payment of Interest from the 1st of July of the current year.

ARTICLE 5. The exchange of Bonds shall be effected in London with the intervention of the Minister Plenipotentiary of Guatemala.

ARTICLE 6. The Bonds of the Four per Cent. External Debt of Guatemala shall bear interest at the rate of 4 per cent. per annum, payable in gold in London, and £15,000 sterling (Gold) shall be applied annually also as a Sinking Fund for the redemption of the Debt.

ARTICLE 7.—The Interest of the Four per Cent. External Debt of Guatemala shall be paid in London on the 30th of June and the 30th of December in each year.

ARTICLE 8. The said redemption of the Bonds shall be effected by the application of the said Sinking Fund of £15,000 in purchase on the market, which shall take place in London half-yearly.

ARTICLE 9. For the punctual payment of both Interest and Sinking Fund, the Government of Guatemala will, on the day of , 1895, and on the 1st day of July in each year, hand to the Agent of the Bondholders in the City of Guatemala to be appointed by the Council of Foreign Bondholders in accord with the Government, an amount of Warrants, issued in respect of export duties on Coffee, sufficient to cover the amount required for the service of the Loan for the ensuing year.

ARTICLE 10. The Government of Guatemala shall submit to the National Assembly a Law fixing for the next ten years the export duty on Coffee at \$1½ Gold (Six shillings English standard) on each quintal of hulled Coffee, and that the export duties shall be paid only in such Warrants, provided that if from any cause the said Warrants shall be insufficient for the service of the Loan, the Government shall arrange with the Council of Foreign Bondholders for the provision of some other sufficient security.

ARTICLE 11. All expenses of the Conversion and Service of the Debt to be defrayed by the Government.

ARTICLE 12. The Bonds of the said Four per Cent. External Debt of Guatemala shall be signed by the Minister Plenipotentiary of the Government of Guatemala in London, and shall be in such form and of such amounts as shall be agreed between the said Minister Plenipotentiary and the Agents for the Conversion in London.

ARTICLE 13. The said Bonds and Coupons shall be exempt from all Guatemalan taxes and imposts whatsoever.

ARTICLE 14. All necessary details for giving effect to the said Conversion shall be arranged and agreed between the said Minister Plenipotentiary in London and the Agents for the Conversion.

ARTICLE 15. This Agreement shall be ratified by Executive Decree and Law of Congress.

LONDON, *the 11th July, 1895.*

*For the COUNCIL OF FOREIGN BONDHOLDERS AND
COMMITTEE OF GUATEMALA BONDHOLDERS,*

JOHN LUBBOCK,

Chairman.

For the GOVERNMENT OF GUATEMALA,

FERNANDO CRUZ,

Minister Plenipotentiary.

This Agreement was confirmed by Presidential Decree No. 514, dated August 26th, 1895.

Pending the ratification by Congress at its meeting in the spring of the present year, the Council were requested to receive the Bonds of the Consolidated External and Internal Debts, and to issue against them Provisional Scrip Certificates to be subsequently exchanged for the Definitive New Bonds.

The Scrip Certificates have Coupons attached to them for payment of a quarter's interest on September 30th and December 31st, 1895, and for six months' interest on June 30th, 1896. The Scrip Coupons have been duly paid by the Deutsche Bank at maturity, and the Sinking Fund has also been applied as follows:—

In January, 1896, redeemed by Tender	...	£16,365
„ July, 1896	... ..	16,200
making a total of	... ..	<u>£32,565</u>

withdrawn from circulation during the first year at a cost of £15,000.

The Presidential Decree No. 514 approving the Arrangement of July 11th, 1895, was duly ratified by Congress on the 3rd April, 1896, in the following Decree:—

[*Translation.*]

THE NATIONAL LEGISLATIVE ASSEMBLY OF THE REPUBLIC
OF GUATEMALA,

CONSIDERING :

That by Legislative Decree No. 303 the Executive was authorised to arrange with the Holders of Bonds of the Consolidated Internal and External Debts the form in which the payment of Interest and Amortisation of the respective Bonds was to be continued; the conditions to be adhered to in such arrangement having been fixed;

That in virtue of said authorisation the Executive Power issued on the 27th of August of the year last past Decree No. 514, which Decree is in every way in accord with the Agreement executed and signed in London by the Guatemalan Minister and the Representatives of the Holders of the aforesaid Bonds; and

Considering finally, that the Executive Power in issuing the aforesaid Decree confined itself strictly within the limits of the authorisation conferred,

Therefore DECREES :

ARTICLE I. The Sixteen Articles forming Decree No. 514, issued by the Executive on the 27th August, 1895, by virtue of the authorisation given by Legislative Decree No. 303 of the 9th May in the same year, are hereby approved.

Let this be forwarded to the Executive for publication and fulfilment.

Given in the Palace of the Legislative Power in Guatemala on the 3rd day of April, 1896.

F. C. CASTAÑEDA, *Secretary.*

RAFAEL SPINOLA, *Secretary.*

MARIANO CRUZ,

President.

On April 14th, 1896, Congress passed the subjoined decree, which is satisfactory in so far that it removes any reason for the substitution of any other security (see Article 10 of the Arrangement) than the Coffee Export Tax for the service of the External Debt.

[Translation.]

The National Legislative Assembly of the Republic of Guatemala,

CONSIDERING :

That, by the Agreement which has been approved for the consolidation of the Internal and External Debts of the Republic, it is laid down that during the period of ten years there is to be paid the Tax of \$1.50 gold upon every quintal of coffee exported, this tax being assigned to the service of the External Four per Cent. Debt ;

That, in this long period of time it might happen that the price of coffee might go down to such a degree as to render it impossible to pay this Tax without serious detriment to the general interests of agriculture ;

That, in order to prevent this difficulty, it is incumbent to secure once for all stability in the value of landed property as far as possible,

THEREFORE DECREES :

ARTICLE 1. In the event of a marked fall in the price of coffee in foreign markets, the exporters of the said commodity shall be entitled to an exportation bounty which may diminish by one-half, or do away with entirely, the said tax, according as circumstances may require.

ARTICLE 2. The said bounty shall be paid to the exporter on his presenting the receipt showing that he has satisfied the tax upon exported coffee.

ARTICLE 3. The Executive is authorised to decree the said bounty, and must give account of it to the Assembly at the Session next succeeding to the date on which it is put into force.

Let this be conveyed to the Executive for publication and fulfilment.

Given in the Palace of the Legislative Power in Guatemala on the 14th day of the month of April, 1896.

MARIANO CRUZ,
President.

F. GARCIA,
Secretary.

F. C. CASTAÑEDA,
Secretary.

Palace of the Executive Power,

GUATEMALA,
16th April, 1896.

Let this be fulfilled and published.

JOSÉ MARIA REINA BARRIOS.

J. M. GONZALES,
Secretary of State for the Treasury and Public Credit.

In December, 1895, the Council had their attention drawn to a Contract entered into between the Government and Messrs. Müller & Thomsen, of Hamburg, for a new Loan of £658,500. The funds derivable from this Loan were to be applied to the construction of the Northern Railway, the completion of which is greatly desired by the Government.

The following is a translation of the Contract in question :—

CONTRACT OF LOAN FOR THE NORTHERN RAILROAD.

The Secretary of State in the Department of the Treasury and Public Credit, being duly authorised by the President of the one part, and Messrs. Schwartz & Co., as legal representatives of Messrs. Gustav Müller & Thomsen, of Hamburg, who represent the Syndicate formed by them in that City with a view to the present Contract, of the other part, have agreed on the following points :

1. Messrs. Müller shall hand to the Supreme Government of the Republic, for the construction of the Northern Railroad, the sum of Six hundred and Fifty-eight thousand Five hundred Pounds Sterling at par, and they bind themselves equally to duly attend to the service of the Four per Cent. External Debt of Guatemala, from this date to 30th June, 1898, paying at due time the interests and amortisations stipulated for between the Government of the Republic and the holders of the Bonds of that Debt.

2. In conformity with the eighth Article of Decree No. 514 of the 27th August of this year, and as an additional guarantee for Bondholders, Messrs. Müller & Thomsen agree to leave in the possession of their Agent the amount necessary in Coffee Warrants to cover the service of said Debt. Such bonds to be recovered by the said Messrs. Müller & Thomsen when they shall have paid the value of same to the Agents.

3. Both the sum of Six hundred and Fifty-eight thousand Five hundred Pounds, and also the sum paid by Messrs. Müller & Thomsen to cover the service of the Four per cent. Debt, shall bear interest of Ten per Cent. per annum from the first of December of this year to the last day of May, 1898, on which date the Loan referred to in this Contract shall be fully repaid.

4. For the amortisation of the above-mentioned sums the Govern-

ment of the Republic consigns and transfers in favour of the Syndicate represented by Messrs. Müller & Thomsen the following Revenues and Taxes :

- (a.) The excess due to the Government on the Export Taxes for Coffee on the crops of 1895 to 1896, 1896 to 1897, and 1897 to 1898 after payment of the Service of the Four per cent. Debt.
 - (b.) All the Revenues at the present date set apart for the construction of the Northern Railway and its working receipts from the 1st December of this year to the 30th May, 1898.
 - (c.) The 20 per cent. in Gold which is at present collected in the Customs of the Republic for Dues on Importation of Merchandise during said term.
5. The Government shall hand, at once, to Messrs. Müller & Thomsen or their legal Representative, the Coffee Export Bonds for the crops of 1895 to 1896, 1896 to 1897, and 1897 to 1898, calculating each at 750,000 quintals, and binds itself also to reimburse them on the 30th June of each of the years referred to in Pounds Sterling, or their equivalent in Silver of the country, the difference resulting in favour of said Firm should the crops not reach the 750,000 quintals estimated.
6. The Government also guarantees that the other taxes set apart for the construction of the Northern Railway independent of the Coffee Revenue shall produce annually One hundred thousand Pounds Sterling, or say Fifty thousand Pounds Sterling every Six months.
7. It guarantees also that the 20 per cent. in Gold of Import Dues shall produce every year another One hundred thousand Pounds, say Fifty thousand Pounds every Six months, binding itself to pay the difference, if any, in the same terms as those set forth in the previous Article.
8. Messrs. Müller & Thomsen, or the Syndicate they represent, bind themselves, on their part, to return to the Government any excess that there may be, after the One hundred thousand Pounds referred to in the 6th and 7th Articles are covered by the Revenues therein referred to.
9. The Service of this Debt shall be under the care of the Bank of Guatemala.

Signed in Guatemala by both contracting parties on the 14th November, 1895.

GUSTAV MÜLLER & THOMSEN,
SCHWARTZ & CO.

J. M. GONZALES.

In order that no possible misunderstanding may arise as to the prior right of the Holders of the Four per Cent. External Debt with regard to the sale of the Coffee Exportation Warrants, the Council have deemed it desirable, before proceeding with the issue of the Definitive New Bonds, that an Agreement should be drawn up between the Government, Messrs. Müller & Thomsen, and themselves as representing the Bondholders, which will make the position of the External Bondholders quite clear. Negotiations are now proceeding with regard to this matter, which it is hoped may shortly be brought to a satisfactory conclusion.

NATIONAL DEBT.

This, on the 31st December, 1895, according to the Finance Minister's Statement, stood as follows :—

EXTERNAL DEBT.

Four per Cent. External	\$8,000,000	
Müller & Thomsen Loan	3,492,500	
	<u> </u>	\$11,492,500 ⁰⁰

INTERNAL DEBT.

Floating Debt	\$820,592 ⁸¹	
Bonds and Fractions of \$3,000,000 Loan ...	1,758,339 ⁸⁸	
Exhibition Bonds	349,000 ⁰⁰	
Banco de Guatemala overdrawn Account ...	200,000 ⁰⁰	
" " for service of External Debt	6,506 ⁸¹	
Treasury Notes in circulation	36,782 ⁰⁰	
Corporations, Establishments and Firms ...	318,263 ⁷³	
Deposits	210,198 ²⁰	
Bills Payable and Sundry Creditors	633,996 ²⁵	
Salaries and Expenses of Administration ...	875,573 ⁶⁸	
Total	<u> </u>	\$16,701,753 ¹⁰

The total is summarised as follows :—

Four per Cent. External Debt ...	£1,600,000	
Müller & Thomsen Loan...	698,500	
	<u>£2,298,500</u>	= \$11,492,500 ⁰⁰
Internal Debt		= 5,209,253 ¹⁰
		<u>\$16,701,753¹⁰</u>

BUDGET FOR 1895.

The following Estimates for the Budget of 1895 are taken from the Foreign Office Report compiled by H.B.M.'s Chargé d'Affaires in Guatemala :—

ESTIMATED RECEIPTS, 1895.

Imports	\$4,100,000
Exports	1,300,000
Re-shipments	1,000
Exchange	1,305,000
Liquors and Licensed Victuallers	3,580,000
Gunpowder and Nitre	80,000
Cartridges	10,000
Stamped Paper	425,000
Tax on Estates (6 per cent.)... ..	350,000
Exemption from Military Service	30,000
Road Tax	160,000
Heritage and Donations	26,000
Cattle Tax	175,000
Salt Tax	28,000
Sale and Exchange of Estates	75,000
Exemption from Labour	500,000
Fines	10,000
Pawnbrokers	1,000
Sale of Government Lands	33,000
Extraordinary Receipts	17,000
Post	88,000
Telegraph	168,000
Mint	20,000
Total	<u>\$12,482,000</u>

ESTIMATED EXPENDITURE, 1895.

Ministry of Local Government and Justice	...	...	...	\$1,434,713 ¹²
„ Foreign Affairs	...	...	...	212,157 ⁵⁰
„ Public Credit	...	...	...	4,110,165 ⁹⁸
„ the Interior (Public Works, etc.)	...	...	...	1,051,840 ⁰⁰
„ War	...	...	...	2,112,163 ⁴⁶
„ Public Instruction	...	...	...	1,541,645 ²⁰
Sundries	...	...	...	242,756 ⁶²
Total	...	...	...	<u>\$10,705,442¹⁸</u>

It should be noted that out of the total of \$12,482,000 shown as the Estimated Receipts for 1895, the following amounts have been specially assigned, viz. :—

Subvention to Northern Railway	...	...	...	\$1,652,000
„ to Municipality	...	...	...	72,500
„ to Charitable Organisations	...	...	...	105,500
				<u>\$1,830,000</u>

If this amount of \$1,830,000 be deducted from the total, there is a sum of \$10,652,000 available for general purposes. This estimate, however, as appears further on, has fallen far short of the Receipts actually collected.

FINANCIAL STATEMENT FOR 1895.

In March, 1896, the Financial Statement for the year 1895 was submitted to the Chamber of Deputies by the Minister of Finance, Señor J. M. Gonzales.

In this statement it was shown that the actual cash entries with which the Treasury was credited during the year had been...	...	...	...	...	\$15,511,175 ⁸⁸
while the payments had been	...	...	...	...	<u>15,515,081²³</u>
showing a small deficit of	...	...	...	...	<u>\$3,905³⁵</u>

As, however, the Treasury had in hand a balance of \$309,014⁸² from the preceding year, this deficit was more than covered, and a surplus balance of \$305,109⁴⁷ appeared. The figures shown above were accounted for as follows:—

Cash Received by Treasury, 1895.		Cash Expended by Treasury, 1895.	
Source.	\$	Department.	\$
Customs	4,672,817 ⁸⁶	Various Adminis-	
Liquors & Mono-		trative Depart-	
polies	3,692,824 ¹⁹	ments... ..	8,649,141 ⁹²
Various Taxes, etc.	2,552,965 ²³	Cancelling Obli-	
Extraordinary Re-		gations payable	
ceipts... ..	118,223 ³¹	and Sundries ...	3,095,127 ⁴⁹
Discounts in favour		Remittances to	
of Northern Rail-		Banks for service	
way	222,604 ¹²	of Loans	1,973,025 ⁹⁸
Judicial Funds ...	12,241 ⁶³	Do. to Superin-	
Deposits	218,803 ³⁴	tendence of Nor-	
Obligations Re-		thern Railway ...	900,230 ³⁷
ceivable	1,338,221 ⁹⁷	Do. to Treasuries	
„ Payable	2,684,474 ²⁸	of Establishments	
		and Corporations	248,621 ⁵⁷
		Do. to Committee	
		of Acatán Water-	
		works... ..	68,500 ⁰⁰
		Do. to National	
		Mint	283,805 ⁷²
		Return of Deposits	81,175 ¹⁶
		Various	215,453 ⁰²
Total	\$15,511,175 ⁸⁸	Total	\$15,515,081 ²³

The following Table shows the gross Revenue for each year from 1891 to 1895, in a comparative form:—

Year.	Gross Revenue.	Increase.	Decrease.
	\$	\$	\$
1891... ..	8,683,536 ³⁰	...	...
1892... ..	8,660,489 ³²	...	23,046 ⁴⁸
1893... ..	10,422,752 ³²	1,762,262 ²¹	...
1894... ..	11,851,025 ³⁷	1,428,273 ³⁴	...
1895... ..	14,491,667 ¹⁷	2,640,641 ³⁰	...

The nett product of the Revenue of 1895, after deducting from the gross amount of \$14,491,667¹⁷ the special expenses of collection and the cost of the Postal and Telegraph Services, amounting altogether to \$1,020,900⁵⁸, appears below :

NET REVENUE, 1895.

Source.	1895.
Customs Duties	\$8,316,760 ⁴⁵
Liquors and Monopolies	3,422,022 ⁵⁵
Sundry Taxes	1,985,133 ⁵⁸
	<u>\$13,723,924⁵⁸</u>
Less Cost of Postal and Telegraphic Services ...	253,157 ⁴⁹
Nett Revenue, 1895	<u>\$13,470,766⁵⁹</u>
„ „ 1894	10,503,324 ⁵¹
Increase in 1895	<u>\$2,967,441⁷⁸</u>

REVENUE.

AMOUNTS YIELDED BY THE DIFFERENT SOURCES OF
REVENUE DURING THE YEAR 1895, COMPARED
WITH 1894.

Source.	1894.	1895.	Increase.	Decrease.
CUSTOMS.				
	\$	\$	\$	\$
Import Dues ...	3,648,868 ²¹	5,411,152 ²⁷	1,762,284 ⁷⁶	—
Export Dues ...	1,160,555 ³⁰	1,382,961 ⁰³	222,405 ⁷³	—
Re-embarkation Dues ...	1,079 ⁷⁵	1,034 ²⁴	...	44 ⁸¹
Exchange ...	1,253,134 ¹²	1,536,316 ⁸⁸	283,182 ⁷⁶	—
LIQUORS & MONOPOLIES.				
Liquor ...	3,372,946 ³⁷	3,538,577 ⁶⁰	165,631 ²³	—
Tobacco ...	369,692 ³⁰	154,094 ¹⁸	...	215,598 ⁴¹
Powder ...	49,740 ⁰⁶	49,712 ⁹¹	...	27 ⁷⁵
Saltpetre ...	32,195 ⁰⁰	36,824 ⁴⁹	4,628 ⁸⁹	—
Cartridges ...	9,109 ⁴⁰	37,306 ¹⁹	28,196 ⁷⁹	—
SUNDRY TAXES.				
Stamped Paper ...	236,228 ¹⁴	312,071 ²⁴	75,843 ⁸⁰	—
Stamps ...	80,631 ⁸¹	124,595 ⁴⁸	43,964 ¹²	—
Merchants' Books ...	14,398 ⁹⁷	13,928 ⁷⁹	...	469 ²⁸
Real Estate Tax ...	345,216 ⁴⁵	363,721 ⁰⁸	18,505 ⁵⁸	—
Military Tax ...	31,845 ⁰⁰	33,100 ⁰⁰	1,255 ⁰⁰	—
Road Tax ...	155,152 ⁶⁰	135,423 ²⁴	19,729 ³⁶	—
Salt Tax ...	27,938 ⁸⁶	28,140 ⁶⁸	201 ⁷⁷	—
Inheritance and Donation Tax ...	25,286 ⁰⁶	267,751 ⁹⁷	242,465 ⁰¹	—
Sale and Transfer of Real Estate ...	121,946 ⁰²	94,651 ⁵²	...	27,294 ⁸⁰
Slaughter Tax ...	162,432 ⁸³	186,082 ⁷⁵	23,649 ⁹²	—
Fines ...	12,982 ⁹⁶	95,865 ¹⁵	82,882 ¹⁹	—
Pawnbrokers' Licenses ...	1,267 ⁶¹	1,535 ¹¹	267 ⁵⁰	—
Exemption from Labour ...	7,130 ⁰⁰	9,809 ⁶⁵	2,768 ⁶⁶	—
Waste Lands ...	33,473 ⁰⁰	60,614 ⁷⁵	27,141 ⁶⁸	—
Extraordinary Receipts ...	7,359 ⁰¹	103,795 ⁷⁰	96,436 ⁸⁰	—
Stay to Legal Action ...	434,126 ⁰⁰	222,655 ⁷⁰	...	211,470 ⁸⁰
SERVICES.				
Postal Service ...	88,034 ¹²	89,844 ¹⁶	1,810 ⁰⁴	—
Telegraph Service ...	168,254 ¹⁵	200,007 ⁵¹	31,753 ⁸⁶	—
Totals ...	11,851,025 ⁸⁷	14,491,667 ¹⁷	3,115,275 ⁷¹	474,634 ⁴¹

EXPENDITURE.

AMOUNTS EXPENDED BY THE DIFFERENT DEPARTMENTS,
ETC., DURING THE YEAR 1895 COMPARED WITH 1894.

Department.	1894.	1895.	Increase.	Decrease.
	\$	\$	\$	\$
Finance	819,207 ⁰⁰	814,765 ⁰⁴	...	4,442 ⁰⁸
War	2,032,601 ⁸¹	2,370,180 ⁹⁷	337,559 ⁸⁶	...
Internal Development ...	977,824 ⁴⁵	1,086,184 ⁷¹	108,360 ²⁶	...
Government and Justice...	1,327,912 ⁷⁶	1,780,974 ⁷⁷	453,062 ⁰¹	...
Public Instruction ...	1,430,501 ⁸⁰	1,795,344 ⁸⁶	364,843 ¹⁷	...
Foreign Affairs ...	146,255 ⁸⁰	181,900 ¹¹	35,644 ⁸¹	...
Pension List ...	238,986 ⁸⁶	263,082 ⁹⁶	24,095 ⁸⁰	...
Expenses of Monopolies ...	639,916 ⁷¹	307,614 ⁸⁶	...	332,302 ⁸⁸
" Customs and				
Taxes	82,799 ¹⁹	40,721 ²⁶	...	42,077 ⁰⁸
Municipalities	75,265 ⁸³	85,480 ⁶¹	10,215 ⁰⁸	...
Hospitals and Charitable				
Organisations ...	103,502 ¹⁷	137,292 ⁷⁵	33,790 ⁵⁸	...
Treasuries of Faculties ..	17,815 ⁹⁰	14,688 ¹⁵	...	3,127 ⁷⁵
Funds of Justice...	7,912 ²¹	11,160 ⁰⁶	3,247 ⁸⁵	...
Northern Railway ...	1,050,114 ⁴⁵	900,230 ⁸⁷	...	149,884 ⁵⁸
Deposits	268,502 ⁸⁶	81,175 ¹⁶	...	187,327 ⁵⁰
Various Debtors...	13,988 ¹¹	...	...	13,988 ¹¹
" Creditors ...	1,897,739 ⁰⁹	7,200 ⁰⁰	...	1,890,539 ⁰⁹
Payments on Account of				
Confiscated Goods ...	10,931 ⁸³	2,566 ⁸⁰	...	8,364 ⁴⁸
Furniture... ..	2,692 ²⁵	...	...	2,692 ²⁵
National Buildings ...	8,043 ⁰⁰	...	...	8,043 ⁰⁰
Cash Returned	29,661 ⁸⁸	17,349 ⁸⁶	...	12,312 ²²
Various Payments ...	1,700,612 ⁸⁴	93,417 ⁴⁰	...	1,607,195 ²⁴
National Gold Committee	254,136 ⁸⁰	...	...	254,136 ⁸⁰
Public Debt	102,206 ²³	...	...	102,206 ²³
Interest and Discounts ...	102,870 ⁵¹	104,685 ²⁶	1,814 ⁷⁵	...
Coffee Certificates ...	497 ²⁸	...	...	497 ²⁸
Coffee Export Warrants...	165,406 ⁰⁰	...	...	165,406 ⁰⁰
Gold Delivery Orders ...	1,635 ¹⁷	...	...	1,635 ¹⁷
Obligations Payable ...	...	3,087,927 ⁴⁸	3,087,927 ⁴⁹	...
Acatán Waterworks ...	88,473 ⁴⁸	68,500 ⁰⁰	...	19,973 ⁴⁸
Bar Silver	71,022 ⁷⁶	...	...	71,022 ⁷⁶
Banco Commercial ...	...	284,774 ⁸¹	284,774 ⁸¹	...
" del Occidente ...	...	376,998 ⁸⁶	376,998 ⁸⁶	...
" de Guatemala ...	...	1,311,252 ⁸¹	1,311,252 ⁸¹	...
Mint ... ..	...	283,805 ⁷²	283,805 ⁷²	...
Highway from Panzos ...	...	5,808 ⁰⁸	5,808 ⁰⁸	...
Totals	13,577,034 ⁵⁹	15,515,081 ²⁸	6,723,200 ⁸⁴	4,785,173 ⁸⁴

IMPORTS, 1895.

	\$
Wine, Beer and Spirits	552,189 ⁰²
Oils	28,855 ⁰⁴
Preserves, Cheese, Fruit, etc.	211,708 ²²
Sugar	37,440 ⁵⁹
Vehicles	40,455 ⁹⁸
Glass and Chinaware	136,620 ¹⁶
Drugs and Medicines... ..	177,909 ⁰⁹
Iron, Manufactured and Merchant	357,912 ⁷⁵
Copper, Manufactured	26,421 ⁷⁷
Paper Goods	145,099 ⁹⁰
Roofing Material, etc.	127,825 ⁵⁸
Timber and Material for Building	91,107 ⁷⁷
Machinery	137,853 ¹⁷
Railway and Telegraph Material	335,180 ²¹
Woollen Goods	447,786 ⁶⁸
Silk Goods	245,057 ²⁷
Cotton	1,679,059 ³⁴
Hats	99,122 ³²
Cereals, Flour, etc.	645,860 ³⁰
Leather Goods	73,398 ⁸⁴
Barbed Wire	26,767 ⁸⁰
Petroleum	46,865 ⁸⁸
Sacks for Grain	56,045 ⁶⁹
Other Merchandise	1,402,958 ⁰²
Total	<u>\$7,129,301²⁴ Gold.</u>

EXPORTS, 1895.

	\$
Tanned Hides... ..	1,440 ⁰⁰
Raw Hides	58,018 ⁵⁰
Deer Skins	12,189 ⁵¹
Bananas	52,750 ⁰⁰
Cacao	1,230 ⁰⁰
Coffee	25,584,779 ⁸⁰
Shoes	7,444 ⁵²
Beans	108 ⁸⁸
Ginger	869 ⁴⁰
India Rubber	49,089 ¹⁵
Statuary	174 ⁴⁵
Gold Coin	4,400 ⁰⁰
Silver Coin	743,818 ⁸⁷
Plants	431 ⁶⁰
Feathers	72 ¹⁰
Salt	631 ²⁷
Sarsaparilla	3,564 ⁰⁰
Various... ..	8,383 ⁰⁴
Total	<u>\$26,534,394⁸⁹ Silver*</u>

* Say \$13,267,197⁴⁹ Gold.

Of the Coffee exported—

403,005	quintals	went to	Germany.
166,926	"	"	the United States.
15,812	"	"	France.
3,033	"	"	South America.

The total number of quintals exported was 691,480, which produced in Export Duties \$1,382,724.

BUDGET FOR 1896-7.

At the end of May, 1896, the Estimates for the Revenue and Expenditure for 1896-97 were published in the Official Gazette as follows :—

ESTIMATED REVENUE, 1896-97.

Customs Dues	...	...	...	...	\$8,751,000
Monopolies, etc.	..	..	...	...	3,799,000
Various Taxes	...	...	...	...	1,911,000
Postal and Telegraph Services	...	...	...	...	290,000
Sundries	...	...	...	...	138,000
Total...	...	...	...	...	<u>\$14,880,000</u>

ESTIMATED EXPENDITURE, 1896-97.

Government	...	...	...	...	\$1,797,554 ⁵⁰
Justice	...	...	...	...	444,480 ⁰⁰
Foreign Affairs	...	...	...	...	267,290 ⁰⁰
Finance	...	...	...	...	912,543 ⁰⁰
Public Credit	...	...	...	...	5,562,600 ⁰⁰
Interior (Public Works, etc.)	...	...	...	...	1,243,994 ⁰⁰
War	...	...	...	...	2,655,461 ⁴⁴
Public Instruction...	...	...	...	...	1,812,536 ⁸⁰
Pensions, etc.	...	...	...	...	268,681 ⁰⁴
Total...	...	...	...	...	<u>\$14,464,840⁵⁸</u>

SUMMARY.

Estimated Revenue	..	...	...	...	\$14,880,000
„ Expenditure	...	...	...	...	14,464,840
Surplus	...	...	...	...	<u>\$315,160</u>

HONDURAS.

EXTERNAL DEBT.

	Present Amount.	Total.
Five per Cent. Loan of 1867	£78,800 0 0*	
Interest (April, 1873, to April, 1896)	92,590 0 0	
	<hr/>	£171,390 0 0
Ten per Cent. Loan of 1867	900,700 0 0	
Interest (Jan., 1873, to July, 1896) ...	2,161,680 0 0	
	<hr/>	3,062,380 0 0
Six and Two-thirds per Cent. Loan of 1869	2,176,570 0 0	
Interest (Mar., 1873, to Mar., 1896)	3,409,959 0 0	
	<hr/>	5,586,529 0 0
Ten per Cent. Loan of 1870	2,242,500 0 0	
Interest (Jan., 1873, to July, 1896) ...	5,382,000 0 0	
	<hr/>	7,624,500 0 0
Total	<hr/>	<hr/> £16,444,799 0 0

Honduras Committee.

Rt. Hon. Sir John Lubbock, Bart., M.P., <i>Chairman</i> .	A. Pinto Leite, Esq.
G. F. Dickinson, Esq.	George Metcalfe, Esq.
R. Eykyn, Esq.	W. J. Rendall Moore, Esq.
W. R. Farquhar, Esq.	His Honour Judge Snagge.
Hon. Sir C. W. Fremantle, K.C.B.	H. T. Tatham, Esq.
Alfred Jaques, Esq.	<i>Secretary</i> .
	James P. Cooper, Esq.

* The amount of Bonds in circulation is understood to be £60,900, the balance of £17,900 being in the hands of the Honduras Government.

Area (estimated) 43,000 square miles.
 Population, 1889 396,000.
 Capital, Tegucigalpa. Population, about 13,000.

External Debt per head, including arrears
 of interest £41.

President Dr. Policarpo Bonilla.
 British Minister and Consul-General
 in Honduras (resident at
 Guatemala) Audley C. Gosling, Esq.
 Consul-General of Honduras in
 Great Britain W. Binney, Esq.

HISTORY OF THE DEBT (FOREIGN.)

1827.—Upon the breaking up of the Central American Federation, the proportion of the Federal Debt (£163,300) allotted to Honduras was two-twelfths, or £27,200, with interest at 6 per cent. No interest was paid on this by Honduras.

1867.—Five per Cent. Conversion Loan. The Government being desirous of raising a Loan in Europe for the ostensible purpose of building an Inter-Oceanic Railway from Puerto Cortez to Amapala, considered it necessary to make a settlement of the above-mentioned Federal Debt.

The amount of this Debt with accumulated interest had increased by this time to £90,075, in addition to which Honduras had incurred other obligations, mostly to private firms in London, to the amount of £30,375, making a total of £120,450.

A Loan for £90,000 nominal, bearing 5 per cent. interest, was issued in London by Messrs. Haslewood, and of this amount the Bondholders received £55,000 in satisfaction of their claims. The Bonds were specially secured on the Custom House Duties of the Port of Amapala, and were redeemable by a minimum Sinking Fund of 1 per cent., or by drawings at par.

1867.—Ten per Cent. Railway Loan. Issued by Messrs. Bischoffsheim & Goldschmidt. The object of this Loan was the construction of an Inter-Oceanic Railway. The amount issued was £1,000,000, in Bonds at 80 per cent. The interest was secured

upon the Revenues of the line and the produce of the Mahogany Forests. The Government undertook to provide an annuity of £140,000 for fifteen years from December 31st, 1869, for the service of the Loan. They also promised the subscribers half the profits of the proposed Railway for fifteen years after the repayment of the Loan.

1869.—Six and Two-thirds per Cent. Government Railway Loan.

This Loan was brought out in Paris by Messrs. Dreyfus & Co. Amount, £2,490,108 in 300 fr. Bonds (£12). Issued at 225 fr. (£9). Redeemable at par in seventeen years by half-yearly drawings. Security, first mortgage on State Railways and Forests.

1870.—Ten per Cent. Government Railway Loan. Object, completion of the Inter-Oceanic Railway. Amount, £2,500,000. Issued by Messrs. Bischoffsheim & Goldschmidt on account of Mr. C. J. Lefevre at 80 per cent. Redeemable by Three per cent. Sinking Fund and yearly drawings in fifteen years. Security, the Railway Revenues and the produce of State Domains.

1873.—All four Loans went into default, the interest having been paid out of the proceeds of the money borrowed.

1875.—The Loans were the subject of investigation by a Parliamentary Committee.

1887-93.—A Concession was granted to Mr. Binney for the completion of the Inter-Oceanic Railway. The Concessionaire was to form a Company in London for this purpose, and to settle the External Debt as follows :—£100 shares in the New Railway Company were to be issued in exchange for the existing Bonds of the English and French Loans and interest in arrear, and the Old Bonds were to be lodged in the Bank of England until the completion of the Railway, when they were to be given over to the Government for cancellation. In 1888 the Honduras Company was duly formed on this basis, but the Concession expired in 1892, and the Government refused to renew it. A fresh Concession was, however, granted to an American Company for the prosecution of the Railway, but no provision was made in it for the settlement of the Debt. In 1893 this new Concession was cancelled.

1896.—A new Concession for the construction of the Inter-Oceanic Railway was granted to Mr. W. S. Valentine, Agent General of the "Honduras Railroad Company." The Contract with

the Company to come into force as soon as the Arrangements to be made between the holders of the External Debt and the Government, and between the Government and the "Honduras Railroad Company" are finally concluded, these Arrangements to be effected during 1896, unless the Executive should decide to extend the term ; otherwise the present Contract to become invalid. The Company to amortize within fifty years the whole of the New Bonds the Government may issue in exchange for the existing Government Bonds by the application of 75 per cent. of the net profits of the railroad after payment of 4 per cent. interest on the Bonds issued by the Company for the continuation of the railroad.

The terms proposed by the representative of the Government for the settlement of the External Debt were of such a nature that the Bondholders' Committee, acting with the Council of Foreign Bondholders, declined to submit them to the Bondholders.

REPORT.

HONDURAS RAILROAD CONTRACT.

On the 28th March, 1896, Congress gave its approval by Legislative Decree to a Contract which had been previously entered into between the Minister of the Department of Internal Development, in the name of the Government, and Mr. Washington S. Valentine, Agent-General of the Honduras Railroad Company, for the purpose of completing the Inter-Oceanic Railway. The Decree states, after the usual preliminary formalities, that :—

The Government confers upon the said Company, upon the conditions hereinafter expressed, a concession or privilege for laying out, constructing, maintaining, and working a railway which, starting from Puerto Cortés or some other place situated within the limits of the Bay of Puerto Cortés or Omoa, goes to the valley of Comayagua, and from thence runs on up to the Gulf of Fonseca, its terminus to be in a place where ordinary ocean-going vessels can be moored.

The Contract, containing thirty-five Articles, is of such

length that it is presented here in a condensed form, except in the case of such clauses as affect particularly the interests of the holders of Bonds of the External Debt, which are translated *in extenso*.

ARTICLE 1 cedes and transfers to the Company, free of all costs, the first section of the Inter-Oceanic Railway, already laid from Puerto Cortés to La Pimienta, together with all the existing stations, workshops, and other buildings and all the plant, material, rolling-stock, as well as the right of way over the said section.

ARTICLE 2 gives to the Company the exclusive right of way, by land and water, over the whole of the course to be taken by the Inter-Oceanic Railway, and further makes a grant of a strip 100 feet wide on each side of the line, which strip is reduced to 50 feet when the line passes through towns. The Government to indemnify the owners of private land thus expropriated for its value, and the Company to pay compensation for the improvements or crops on it.

ARTICLE 3. The Company to have the right to establish tariffs in gold or its equivalent, which, however, are not to exceed the tariff now in force. The present tariff charges to be calculated in gold at 100 per cent. premium.

ARTICLE 4 cedes to the Company five square miles of land for each mile of line built. Lands to be selected at option of Company in any part of the country, with immediate absolute title to a fourth part of them, and provisional title to the remainder to be made absolute on the completion of the road. The same grant to be made for each mile of branch lines built, not exceeding in the aggregate the total length of the main line. Five years allowed for selection.

ARTICLE 5 grants rights to cut and use gratis all material for the line from State lands.

ARTICLES 6, 7, 8, & 9. The Company is given the privilege of importing, free of duty or taxes, all material for the railway during the time of its construction, and to administer the railway free from all taxes of any description. The Company is also permitted to introduce American or European labourers, etc., to work on the railway and on the lands. Workmen of Honduranian nationality to be exempted from military service during time of peace.

ARTICLE 10. The Company to be granted possession of all mineral deposits discovered in the course of constructing the railway.

ARTICLE 11 grants the right of constructing telegraph and telephone lines for the service of the railway.

ARTICLE 12. Inter-Oceanic traffic to be free of all duties except port dues. The same concession applies to passengers.

ARTICLE 13. Vessels in the service of the Company to be exempt from all port dues.

ARTICLE 14. The Company shall have full right and authority to receive money lent to it for the purpose of its being used, as far as shall be necessary, for the construction, equipment, maintenance, and working of the railway and its dependencies, and also to create, issue, and sell Bonds or other legal obligations with the same object, and to secure the payment of such Bonds by mortgage or other charge upon the whole of the railway or any part of it, as also upon its dependencies and accessories, real and personal estate, rights, privileges, and concessions granted by virtue of this Contract; but the right that the Company shall enjoy of issuing Bonds or other obligations for the construction and equipment of the Inter-Oceanic Railway referred to shall be limited to an amount not exceeding the sum of 4½ million dollars American gold, the interest on which shall not be more than 4 per cent. per annum.

It is further understood that the aforesaid right to mortgage, which is granted to the Company, shall not in any way affect the rights of the Government set forth in this Contract.

ARTICLE 15. The Government declares that this Contract is to be considered as an exclusive concession to the Honduras Railroad Company, its successors and assigns, to construct and work the whole of the Inter-Oceanic Railway.

ARTICLE 16 gives to the Company the preferential right of constructing branch lines during 25 years (and to issue Bonds, etc., for this purpose up to \$15,000 American gold per mile), upon the same conditions and with the same privileges as in the case of the main line, except as to the land grant, when the aggregate length of the branches shall exceed the length of the main line.

The Company also to have a preferential right to build any branch which any third party may propose to construct, if it should decide to do so within three months after such proposal is made to the Government.

ARTICLE 17. The Government gives the Company full authority to lease, sell, assign, or transfer to any person, corporation, or company, except to the Governments or Corporations of Foreign States, wholly, or in part, the rights, privileges, profits, benefits, lands, mines, timber, or other material which, by virtue of this Contract, it may acquire; all of which the said Company shall be empowered to do for such pur-

poses and uses as it may think fit ; it being, however, understood that no agreement or stipulation it may make with any third party shall have power to contravene or violate the stipulations set forth in this Contract, or comprised in the laws of the country in force.

ARTICLE 18. All disputes as to the interpretation of any part of the Contract to be decided by two arbitrators, appointed one by each side, and with power to appoint a third in case of disagreement. Their finding to be final and binding.

ARTICLE 19. Everything in this Contract that applies to the Company is equally applicable to its successors or assigns.

ARTICLE 20. Five miles to be completed one year after the Contract comes into force ; 20 miles additional in two years from the same date ; 50 miles in three years ; 90 miles in four years ; and the whole line to be finished up to the Bay of Fonseca in six years. In the event of the construction being delayed by *force majeure*, the time to be extended.

ARTICLES 21 & 22. The lease of the first section, now held by the Company, to continue in force until the construction of the first five miles of the second section is completed, when the first section is to be handed over and the lease will lapse. The Company is to reconstruct and place in repair the first section within six years.

ARTICLE 23. The main and branch lines to be properly equipped with rolling stock, etc., and to be kept in good repair.

ARTICLES 24 & 25. The Company to carry the National Mail, the members of the Government and of the Congress and Supreme Court free when travelling on official business, and Government freights and military men at half rates.

ARTICLES 26, 27, & 28. The Company to strictly observe the conditions laid down in the Contract, except in cases of *force majeure*, failing which excuse, should it not fulfil its obligations, the Concessions, etc., granted may be withdrawn by the Government and the Contract cancelled upon the Government paying to the Company one-fourth part of the value of the length of line built, rolling-stock, plant and material, etc., in stock at the time, if the failure on the part of the Company to perform its obligations occurs during the first year ; one-half of the value of the same if it occurs in the second or third year ; 85 per cent. of the value of the portion of the second section built, if it occurs in the fourth year, and 95 per cent. of the value of the whole line then constructed, less the first section, if it occurs in the sixth year.

The Company to retain, in the event of such cancelment of the

Contract in regard to any portion of the line, only such lands as it has already received absolute titles to, viz. : one-fourth (see Article 4), of the line with all its accessories becoming the property of the Government. Should, however, the Company, in the event of the Government being entitled to exercise its right as above, ask for an extension of time and pay a sum in cash equal to 15 per cent. of the gross earnings of the system working at that time, the Government can grant such extension. As security for the Company's fulfilment of its obligations, it shall forfeit the value of all the works and improvements effected on the first section, should the Contract be cancelled as above.

ARTICLE 29. This Contract shall come into force as soon as the arrangements which have to be made between the holders of the External Bonds of Honduras and the Government, and between the Government and the "Honduras Railroad Company," are finally concluded ; it being understood that these arrangements must be concluded during the present year 1896, unless the Executive Power, in view of the preliminaries of the negotiation, decides to extend this term. Should the said negotiation not have been effected upon the expiration of the said period, the present Contract shall become invalid.

ARTICLE 30. The Government reserves the right of buying the line after 75 years, paying full value before taking possession.

ARTICLE 31. The Government to appoint one Director.

ARTICLE 32. All goods which may be carried by the railway and which may have fraudulently evaded payment of fiscal dues, shall, on discovery of the fact, be confiscated.

ARTICLE 33. The Company binds itself to pay and to amortise: within 50 years the whole of the New Bonds which the Government may issue in exchange for the Bonds issued by the Government of Honduras in England and France for the purpose of constructing the Inter-Oceanic Railway, in the following manner : from the net annual profits of the railway and its branches shall be taken first of all and paid the 4 per cent. interest accrued on the Bonds issued by the Company, which interest is recognised in this agreement as a first charge upon the railway, its branches and its outfit.

As soon as the above-mentioned 4 per cent. is deducted, the remainder of the net profits shall be applied as follows : three-fourths, or 75 per cent., shall be devoted to the redemption or purchase and cancellation of the Government's Bonds, as may be provided in the Contract which may be made ; and one-fourth, or 25 per cent., to the redemption and cancellation of the Company's Bonds.

If, at the expiration of the 50 years referred to above, all the Bonds issued by the Government have not been cancelled, the Company binds itself to redeem, and guarantees that it will redeem, with cash and at their nominal value, the amount then remaining in circulation of said Bonds, and will deliver them to the Government for cancellation, and no mortgage or engagement contracted by the Company can prejudice this obligation.

When the Government's Bonds are redeemed the Company is to commence paying 5 per cent. of the net profits to the Government.

But it is also understood that the Company assumes no responsibility, nor does it guarantee the payment of the Interest or Coupons of the Government's Bonds, which shall be paid exclusively by the Government in the manner which may be stipulated in said Bonds.

ARTICLE 34. Lands on the sea-shore within one mile from the coast not to be claimed by the Concessionaires.

FINAL ARTICLE. Both contracting parties agree that the Contract is binding from the date when Congress approves it.

(Signed) E. CONSTANTINO FIALLOS.

(Signed) W. S. VALENTINE.

In connection with the above concession Mr. J. S. Scott, a gentleman well known in the American railway world, who, it is understood, has considerable interests in Honduras, and is, in fact, at present working the existing Puerto Cortés Railway in conjunction with Mr. Valentine, has recently been in communication with the Committee.

Mr. Scott was authorised by the Government to enter into an arrangement with the External Bondholders in accordance with Article 29 of the above Contract. The Council, however, regret to state that the proposals of the Government were of such a nature that the Committee did not deem it worth while to submit them to the Bondholders. It may be briefly stated that the suggestion was for the External Bondholders to accept 15 per cent. of Stock in the new railroad (from which no return could be looked for for several years to come), in exchange for each £100 of

existing 10 per cent. Bonds, with 24 years' arrears of interest, or £340 in all.

The excuses offered by the Government of Honduras for the treatment accorded to the holders of its foreign obligations appear to be (1) that they only received a small proportion of the amount originally borrowed, and (2) the usual pretext of poverty. With regard to the first of these, it need only be said that the Bondholders were not responsible for the selection of its Agents by the Government, and as regards the second, the Council are quite prepared to admit that the Government is not in a position to resume full payment of the interest on the Debt. The Government have, however, evinced no disposition whatever to make any effort to meet their obligations so far as their resources permit. If Honduras were to set aside a reasonable proportion of its revenue for the service of its Foreign Debt, there is little doubt that the Bondholders would accept this sum as an initial payment and would be willing to share with the Government in the future amelioration arising from the development of the country through restored credit. From the information received by the Council it appears that the present revenue might be largely increased if it were properly collected. It is, at any rate, absolutely unjust that the Government should refuse to hand over to the Bondholders the profits of the railway, which are specially hypothecated as security for the Loans.

From unofficial information supplied to them the Council learn that the gross earnings of the railroad for the last three years have been as follows:—

1893	...	...	32 miles	...	...	\$75,197
1894	...	...	34 "	...	...	119,263
1895	...	...	37 "	...	...	156,691

The length of line now open is stated to be 57½ miles.

PRESIDENTIAL MESSAGE.

On the 4th January, 1896, the President of the Republic sent a message to Congress in which he gave an account of the actions of the Executive during the last seven months of the financial year 1894-5, which ended on the 31st July, 1895. He had previously, in May, 1895, sent a similar message dealing with the preceding five months of the same year, viz.: August-December, 1894; the reason for dividing the year in this manner being that the message referring to the first five months was delivered whilst he was as yet Provisional President to a Chamber which was at that time styled the "Constituent National Assembly." The title of this body was subsequently changed, owing to the reforms introduced by the adoption of a new Constitutional Charter, to that of the "National Congress," the President himself having in the meantime been constitutionally declared the Chief Magistrate.

FINANCE.

From the portion of the Message included under this heading, it appears that the total Receipts of the year 1894-5, amounted to \$2,172,760, which exceeded the Estimates voted by Congress in 1893 by \$627,975. As regards the expenditure, the President did not give the figures, but stated that it was less than the amount shown in the Estimates. He warned Congress, however, that it was far from probable that this satisfactory condition of affairs would continue as regards the year 1895-6, judging from the Revenue returns received up to that time. He considered that the Customs Revenue returned by the ports on the south coast would probably yield \$100,000 less, and he anticipated a further falling-off in the Tobacco Revenue.

The increase shown by the Aguardiente (spirit) Revenue, and also by some other sources, would hardly compensate for the loss shown above.

PUBLIC CREDIT.

During the year 1894-5, the Internal Debt (Preference Debt) had been redeemed to the amount of \$429,457. The President in referring to the Public Debt remarked that he considered it to be a very cancer to his administration, as it demanded so much for its service that it left only an insignificant sum at his disposal for works of progress. The Foreign Debt was not alluded to in this Message, but in the one previously sent to the Constituent National Assembly in May, 1895, the President said :—

I will say something, but very little, about the External Debt. The people of Honduras are so accustomed to banish all thought of this from their minds, owing to the utter impossibility of paying it, that it would cause surprise to hear it even mentioned.

It is not my intention to make any reference to its origin and to the fraud to which it gave rise. Let it be sufficient for me to affirm that, out of the \$30,000,000 to which the loans of the Debt roughly amounted, there only actually reached the country an insignificant sum.

MEMORIAL OF THE FINANCE MINISTER.

At the end of March, 1896, the Finance Minister presented to Congress, a Memorial showing the financial position of the country during the last seven months of the year 1894-5.

He observed that the Provisional Government, on coming into office, had to deal with the Budget passed in September, 1893, which was deficient in every respect, and not in harmony with the new state of affairs.

On the 31st December, 1894, consequently, a new Budget was voted for the remaining seven months (January to July, 1895), of the financial year 1894-5. Putting the increased Estimates of Revenue and Expenditure for these seven months in the place of the amounts calculated for this period in the 1893 Budget, this latter was increased as regards the Revenue Estimates by \$230,717, and, as regards the Expenditure Estimates by \$224,503. The Budget for the last seven months of 1894-5, became therefore as follows:—

Revenue	\$1,131,841.68
Expenditure	<u>1,124,538.54</u>
Leaving a surplus of...	\$ 7,303.14

Further expenditure was, however, subsequently voted by the Constituent National Assembly, which brought the total up to \$1,174,729.34.

RECEIPTS FOR THE LAST SEVEN MONTHS OF 1894-5.

The actual receipts for this period were as follows:—

Revenue.	Gross Receipts.	Nett Receipts.	Nett Increase over Estimates.
	\$	\$	
Customs	627,511.75	515,137.02	—
Exportation Dues ...	35,637.94	35,637.94	—
Aguardiente Duty ...	475,938.40	360,963.61	—
Liquor Duty	28,405.85	11,560.76	—
Tobacco „	172,157.95	75,373.73	—
Powder „	11,622.19	10,261.95	—
Stamp „	75,634.62	65,129.07	—
Sundries	134,020.40	134,020.40	—
Total	\$1,560,929.13	\$1,208,084.90	\$76,243.22

EXPENDITURE FOR LAST SEVEN MONTHS OF 1894-5.

The expenditure during the same period is shown below :—

Department.	Expenditure.	Increase over Estimates.
	\$	
Legislative Power	50,502.77	—
Government	134,833.97	—
Foreign Affairs	36,025.46	—
Public Instruction	77,518.88	—
Finance	102,368.03	—
Public Credit	267,305.98	—
Internal Development	159,352.02	—
War	360,456.14	—
Judicial Power	60,447.73	—
Total	\$1,248,810.04	\$74,081.70

PUBLIC CREDIT.

The Minister stated that the Public Debt, which was duly registered, showed at the end of July the following results :—

War Contribution... ..	\$7,613.50
Due for Requisitions, etc... ..	881,978.88
Internal Debt	28,723.84
Bank Debt... ..	<u>512,947.34</u>

Total \$1,499,781.56

Besides the above-registered Debt there were further obligations, which were the legacy of previous Administrations, and which were not registered, amounting to some \$5,000,000, more or less. Particulars of these were not, however, given. As regards the External Debt, the Minister said :—

I have nothing to say about the External Debt. It continues to remain intact as a difficult problem, towards the solving of which nothing has been done; and so long as the heavy Internal Debt

weighs upon the country, very little can be done in the way of a definite arrangement, since up to the present the most favourable proposals offered for its payment have not been accepted owing to a deficiency of means for fulfilling the obligations which would result from their being accepted.

TELEGRAPHS.

The Report of the Minister of Internal Development states that during the seven months ended the 31st July, 1895, 102 additional miles of telegraph line had been laid, and a large proportion of the lines previously existing had been re-laid and put in perfect repair. Seven new offices had been opened, bringing the total of these up to 125, the entire length of the telegraph system then operating in Honduras being 855 leagues (2,565 miles). Further important extensions of the system, covering more than 300 miles, were then under construction.

PUERTO CORTÉS RAILWAY.

Under the terms of the Contract made with Mr. W. S. Valentine, this line had been carried several miles further on to the South, to the great advantage and development of that district. The value of the line, with all its accessories and rolling stock, had been estimated, by inventory made on the 31st July, 1895, to be about \$763,039.

RECEIPTS AND EXPENDITURE 1894-5.

A statement of the Receipts and Expenditure for 1894-5 was published in the *Gaceta Oficial* of 11th April, 1896. The accounts are presented in this Statement in an involved form, but the following Tables, which have been compiled from the data therein given, are believed to be substantially correct.

REVENUE 1894-5.

Revenue.					Totals.
				\$	\$
Customs.—	Import Duties ...	...	...	998,625.40	
	Warehouses ..	...	...	106,825.42	
	Light and Tonnage Dues			4,936.74	
	Anchorage ..	..	..	108.00	
	Wharf ..	..	..	4,802.88	
	Ferry ..	..	..	373.25	
	Manifests, Clearance and Entrance Papers, etc.			12,294.25	
					1,127,965.94
Export Duties.—	Cattle ...	...	...	90,649.08	
	Produce...	...	...	13,328.36	
	Tobacco...	...	...	8,363.50	
					112,340.94
Stamp Duties.—	Stamped Paper...	...	...	61,499.50	
	Cattle Passes ..	...	...	12,349.50	
	Telegraph Forms ..	...	...	26,119.25	
	Postal Stamps ..	...	...	10,875.28	
	Sundries...	...	...	3,996.32	
					114,839.85
Monopolies.—	Aguardiente ..	...	...	820,924.87	
	Liquors ...	...	...	52,405.22	
	Tobacco...	...	...	291,523.64	
	Powder ...	...	...	17,040.35	
					1,181,894.10
Various Sources.—	Lottery Concession ..	...	...	153,572.39	
	Mint ...	...	...	8,604.90	
	Mineral Zone Tax ..	...	...	8,626.08	
	Interest and Discounts...	...	...	11,142.82	
	Cablegrams ..	...	...	7,868.17	
	Fines and Confiscations	...	...	6,091.07	
	Sundries...	...	...	42,701.19	
					238,606.62
Total Gross Revenue ...				...	\$2,775,647.46
Deduct for Expenses, etc. ...				...	602,887.00
Total Nett Revenue ...				...	\$2,172,760.46

EXPENDITURE 1894-5.

Department.					\$
Legislative	...	...	...	...	79,155.81
Government	...	...	..	...	226,473.79
Foreign Affairs	...	...	...	...	47,734.03
Public Instruction	...	...	...	...	108,957.80
Finance	...	...	...	...	168,894.37
Public Credit	...	...	...	...	429,457.28
Internal Development	...	...	...	...	309,492.18
War	...	...	...	...	720,347.41
Judicature	...	..	...	...	104,395.05
Total Expenditure	...	...	...	...	<u>\$2,194,907.72</u>

TRADE STATISTICS.

No statistics later than those corresponding to the year 1892, which were published in last year's Report, have been received by the Council.

ITUANA RAILWAY.

Six per cent. First Mortgage Debentures ... £150,000

Committee of Ituana Railway Six per cent. First
Mortgage Debentures.

Right Hon. Sir John Lubbock,
Bart., M.P., *Chairman*.
Claude Bishop, Esq.
R. Fleming, Esq.
Hon. Sir C. W. Fremantle, K.C.B.
D. G. Bruce Gardyne, Esq.
M. Van Raalte, Esq.

His Honour Judge Snagge.
General Sir Luther Vaughan,
K.C.B.
Sir W. Vincent, Bart.

Secretary.
James P. Cooper, Esq.

In April, 1894, a requisition was received from some of the principal Debenture Holders asking the Council to undertake the representation of the Bondholders' interests.

A provisional Committee was appointed by the Council in June, 1894, and on May 12th, 1896, a General Meeting of Debenture Holders was convened, when a Resolution was passed confirming the appointment of the Committee, and requesting the Council to take all necessary steps in conjunction with the Committee to protect the interests of the Debenture Holders.

The Ituana Railway Loan was issued in July, 1888, at 110, and the Province of São Paulo guaranteed 7 per cent. interest upon a capital of £205,000 sterling for 75 years. In 1892 the Ituana Company was amalgamated with the Sorocabana Railway Company, the undertaking being then

styled Companhia União Sorocabana é Ituana. Interest on the Loan was duly paid, with a few days' delay in 1893, until the 1st of January, 1894, when the Service remained in default for a year.

None of the subsequent Coupons have been paid at their due dates, and the Coupon due July 1st, 1896, is at present unpaid.

In June, 1894, it was proposed that the interest for that year should be reduced to 4 per cent., but the Debenture Holders declined to accept the reduction.

It is also stated that the guarantee of the Province of São Paulo was surrendered in 1892. The Committee are now endeavouring to obtain information whether this is actually the case, and if so, for what consideration the surrender was made, and why the Debenture Holders were not consulted in the matter.

The following letter has been addressed by the Committee to the Governor of the Province :—

COUNCIL OF FOREIGN BONDHOLDERS,
17, Moorgate Street, London, E.C.
June 10th, 1896.

To His Excellency,
The Governor of the Province of São Paulo,
São Paulo, Brazil.

SIR,

I have the honour to inform you that, in consequence of a requisition received from some of the principal Debenture Holders of the Ituana Railway Company, the Council of Foreign Bondholders convened a public meeting of the Debenture Holders in this City on the 12th ultimo, when a Committee was appointed to act in conjunction with the Council in the protection of the Debenture Holders' interests.

Your Excellency may perhaps be aware that the half-yearly interest on the Ituana Debentures was paid regularly up to 1st July, 1892. Since that date the payment of the dividend has been always more or less in arrear.

The dividend due January 1st, 1893, was paid on January 11th, 1893.

"	"	"	July 1st, 1893,	"	"	"	July 7th, 1893.
"	"	"	January 1st, 1894,	"	"	"	January 12th, 1895.
"	"	"	July 1st, 1894,	"	"	"	March 4th, 1895.
"	"	"	January 1st, 1895,	"	"	"	Sept. 4th, 1895.
"	"	"	July 1st, 1895,	"	"	"	October 29th, 1895.
"	"	"	January 1st, 1896,	"	"	"	May 13th, 1896.

It is needless to remind your Excellency that this irregularity in the interest payments has had a very serious effect on the price of the Debentures, the quotation having fallen as low as 67½, the present price being about 77. The issue price was 110.

The Debentures were secured by an assignment of the Guarantee of the Province of São Paulo of 7 per cent. per annum on a capital of £205,000, the amount issued being £150,000. The Committee have learnt that in May, 1892, the Ituana Railway Company was amalgamated with the Sorocabana Railway Company, and that the guarantee of the Province is said to have been surrendered at the same time, but by whom, or under what supposed authority, or for what consideration, the alleged surrender purports to have been made, they have not been able to discover. The Committee would feel grateful if your Excellency could give them full information on these points.

It is certain that the Debenture Holders were not consulted in the matter, and indeed the whole transaction appears to have been carried through without their knowledge, and certainly without their consent.

In the opinion of the Committee the guarantee is still binding in favour of the Debenture Holders, and they therefore beg that your Excellency's Government will take steps to ensure the punctual payment of their interest in the future.

The Committee would be glad to receive an assurance that the matter has received your Excellency's most favourable consideration.

I have the honour to be,

Sir,

Your Excellency's most obedient humble Servant,

JAMES P. COOPER,

Secretary.

To this communication no answer has, up to the present, been received.

LIBERIA.

Seven per Cent. External Loan of 1871	...	£100,000
Interest in arrear (August, 1874, to February, 1896, inclusive)	... ..	154,000
		<u>£254,000</u>

Liberian Committee.

Rt. Hon. Sir John Lubbock, Bart., M.P., <i>Chairman</i> .	W. A. Stephens, Esq.
L. J. Baker, Esq.	H. T. Tatham, Esq.
J. R. Brown, Esq.	Arthur A. Tilleard, Esq.
Hon. Sir C. W. Fremantle, K C.B.	<i>Secretary</i> .
	James P. Cooper, Esq.

Area	(about)	14,360 square miles.
Population (mostly Aborigines) estimated at		1,068,000.
Capital, Monrovia. Population (1891) estimated at		5,000.

External Debt per head, inclusive of
arrears of interest 4s. 9d.

President	Hon. Joseph J. Cheeseman.
Consul of Great Britain for Liberia	Col. F. Cardew, C.M.G.
Envoy and Minister of Liberia to Great Britain	E. W. Blyden, Esq.

HISTORY OF THE DEBT (FOREIGN).

1871.—A Loan of £100,000 bearing 7 per cent. interest was issued by Messrs. Holderness, Nott & Co., at 85 per cent. The interest of the Bonds was secured on one-fifth of the entire Customs Dues of the Republic, which, for 1870, produced more than £19,000 sterling, and, for repayment of the principal, an excise tax of \$1.00 per annum was to be levied and collected annually from all male citizens. This tax was estimated to produce £30,000 per annum. The United States Minister at Monrovia was appointed to receive the proceeds of the above Revenues for the Service of the Loan, which was raised for the purposes of liquidating Treasury Bonds and carrying out Public Works.

1874.—Default was made on August 1st.

REPORT.

The Council regret to have again to report that the Liberian Government continues to turn a deaf ear to the complaints and remonstrances of the holders of the External Debt.

The Council's last communication (see Appendix to last year's Report, page 205) has not been answered by the Government; as stated therein, letter after letter has been addressed to the Government and its representatives, which have not even met with the courtesy of an acknowledgment.

THE LIBERIAN RUBBER SYNDICATE, LIMITED.

The concession granted by the Government to the Liberian Government Concessions and Exploration Company, has, it is understood, been purchased from the official

Liquidator by some of the Shareholders in the Company, who have resold it to the above-named Syndicate. In the prospectus of the Syndicate, dated November, 1895, there appears the following letter, addressed to Lord Raglan, one of the Directors, by the Consul-General of Liberia :—

My Lord,—I beg herewith to inform you that I am empowered by my Government to ensure you the full rights and benefits of the India-Rubber Concession, granted by the Senate and House of Representatives of the Republic of Liberia, on the 21st of January, 1890, and which has recently been purchased by you, on the condition that you pay to me on behalf of my Government the sum of £1,500, and further, that you undertake to export a minimum quantity of 200 tons of Rubber in the three years ending 1st January, 1899. Failing in this latter condition, the Liberian Government may again call upon the Concessionaire to show cause why the Concession should not be cancelled.

I may state that every leniency will be shown if the Government are satisfied that the Concession has been worked energetically. The named sum of £1,500 is a payment in advance of royalties in Rubber to be exported, and no further royalties will be due until the mentioned amount is liquidated by Customs Certificates.

I am, my Lord,

Your obedient Servant,

(Signed) HENRY HAYMAN.

It will be remembered that under the Agreement of June 30th, 1890, between Mr. E. Gudgeon, acting on behalf of the Government, and the Council of Foreign Bondholders, the Government was to assign two-thirds of the royalty of threepence per pound on rubber to the Bondholders, for the service of the Debt.

It is perhaps needless to remark that no part of the

£1,500 paid by the Syndicate has been handed over to the Bondholders.

The Council have at last been able to obtain some statistical information regarding Liberia which, though not of very recent date, is interesting as throwing some light on the financial condition of the Republic :—

REVENUE AND EXPENDITURE.

From the Reports of the Secretary of the Treasury to the Legislature, for the fiscal years ending the 30th September, 1892, 1893 and 1894, it appears that the Revenue and Expenditure were as follows :—

	1892.	1893.	1894.
Revenue	\$ 176,291 ²²	\$ 185,345 ¹¹	\$ 158,861 ⁴⁷
Expenditure	165,213 ³⁶	188,187 ⁸⁹	151,975 ³⁰

The annexed table has been summarised from the detailed Statement of the Revenue and Expenditure for 1893, which is the latest available.

REVENUE.

Import Duties	\$156,853 ³⁵
Export Duties	8,580 ⁹⁸
Shipping Fees, Tonnage Dues, Light and Anchorage Dues	856 ⁰⁰
Internal Revenue, Taxes, Fines, Land Sales, Licenses, etc.	5,918 ⁴⁹
Miscellaneous, Shipping Fees, Post Office Loans, etc.	13,136 ²⁹
	<u>\$185,345¹¹</u>

EXPENDITURE.

Civil List	...	...	...	...	...	\$21,105 ²¹
Contingent expenses	...	...	...	...	...	6,241 ³²
Judiciary	...	...	...	...	...	17,601 ⁷⁹
Supreme Court	...	...	...	...	...	524 ⁸³
Legislature	...	...	...	...	...	11,809 ⁹⁷
Public Schools	...	...	...	...	...	9,719 ⁹⁷
Students Liberia College	...	...	...	...	...	951 ⁸⁸
Pensions	...	...	...	...	...	1,977 ⁰²
Outstanding Claims	...	...	...	...	...	7,001 ³¹
Public Buildings, Court House and Jail	...	...	...	...	...	1,473 ¹⁸
Special Appropriation Account, Roads	...	...	...	...	...	1,426 ⁰¹
Military	...	...	...	...	...	824 ²¹
Worn-out Currency	...	...	...	...	...	1,700 ³⁰
Columbian Exposition	...	...	...	...	...	2,348 ⁸⁴
Cavalla Expedition	...	...	...	...	...	40,350 ⁰²
L. S. "Gorronammah"	...	...	...	...	...	4,565 ⁹⁷
Native Difficulties	...	...	...	...	...	1,753 ⁹¹
Bills Payable Account Loans	...	...	...	...	...	20,291 ²⁹
Redemption of Bonds	...	...	...	...	...	7,176 ⁸⁴
Liquidation Account, Int. Revenue	...	...	...	...	...	8,421 ²³
Collection of Revenue	...	...	...	...	...	4,755 ²³
Drawbacks	...	...	...	...	...	3,954 ⁵²
Printing	...	...	...	...	...	1,131 ¹⁰
Sundries	...	...	...	...	...	11,072 ⁵²

\$188,187¹⁹

The following *verbatim* extracts from the above-mentioned Reports will be found interesting :—

In entering upon the duties of his office in January, 1892, the Secretary of the Treasury states that—

There was no definite point of memorandum or otherwise from which to make an intelligent departure. The General Treasury and Sub-Treasuries were empty. There was afloat upon the public an excessively large amount of checks and orders, which had been issued by the Superintendent upon the Sub-Treasuries. There were also several thousand dollars drawn by his predecessors upon the Sub-Treasuries of the several counties in the hands of Foreign and Liberian merchants, as well as private citizens.

No register of these orders was to be found in the Department. The only practical alternative by which their payment could be controlled was to deal with them at this Department, and accordingly the necessary steps were taken to recall them.

These orders having been recalled for presentation at this Depart-

ment, the Secretary of the Treasury has endeavoured to liquidate them as frequently as possible through the General Treasury, as is shown by the vouchers of those that have been fully taken up, and the evidence of those partially paid. While the issue of checks or orders, by either the Secretary of the Treasury or by the Superintendent of the Counties, in the absence of funds in the chest to pay them is strictly in violation of Laws, nevertheless the fallacy of such drawing in absence of an unrealised revenue has been fully demonstrated in the large amount of unpaid orders and cheques in the possession of various classes of citizens and foreigners.

The following information is taken from the same Report.

STATE OF TRADE.

The fluctuations of Foreign Markets, the frequent interruptions by quarantine of which there has been the unfortunate experience in the late months, also the interruption to trade by tribal wars, coastwise and in the interior, are serious drawbacks, and are the causes of embarrassing contingencies which cannot be too carefully guarded against.

These embarrassing conditions undermine the confidence of operators, consequently investments become of an extremely limited character, or are discontinued. When the trade stops, the Revenue, which, under most favourable circumstances, is far too little for the age and requirements of the State, shrivels into utter insignificance.

SPECIAL APPROPRIATIONS AND FEES.

Apart from extraordinary and special appropriations, gratuities, etc., the most alarming is that of the Judiciary Fees; exorbitant charges for purposes yielding no commensurate advantage or benefit to the public, in hundreds of instances, form annually a larger sum than the pay of the Legislature and the heads of the Judiciary together.

It is highly necessary that this important matter be looked into. Twenty per cent. of the outclaims in the current expenses of the year originate from the loose and baneful laws which are an open door for advantage to be taken of the public interest by unprincipled persons.

REDEMPTION OF BONDS (INTERNAL).

The redemption of the Bonds originating from the Funding Act of 1879-80 is considerably overdue. The accrued interest of Six per Cent. on more than three-quarters of said Bonds, which already amounts to nearly the sum of the principal, and the interest, must, under the present stipulations and the financial resources of the Government, continue to increase.

It appears that in the interest of the holders of such Bonds, as well as in the protection of the credit and faith of Government, the amount of interest on those Bonds should be reduced to such a per centum as to render the payment thereof more practical and possible for the Government to discharge at least more regularly and promptly than hitherto.

The Bondholders cannot reasonably attach very much intrinsic value to so large a per cent. of interest continually accruing, but nevertheless being unpaid, as is the case at present.

It is the opinion of the Department that an arrangement to have the Bondholders accept 50 per cent. of the amount of interest originally contracted for by the Government as per the face stipulations of said Bonds, upon the assurance of a certain per cent. of the Revenue to be annually hypothecated for the liquidation of such interest, would be highly honourable in the Government and more satisfactory and compensative to the owners of these bonds.

PAPER CURRENCY.

The paper currency is still distrusted, and there is a continual lack of confidence in its possession. This difficulty is more perplexing especially when it is considered that a fair proportion of currency is always available for Customs Duties. The decided objection to the medium of the paper currency cannot be more intelligently and forcibly argued than is demonstrated in the fact that while the amount of the bulk in circulation has been steadily decreasing for the past several years, nevertheless it has, from some unknown law in the principles of political economy, attained neither a par value with gold nor even a proportionate value with the decrease.

EXTERNAL DEBT.

The Government is keeping before it its foreign liabilities, towards the full and honourable discharge of which it is steadily working.

It had hoped before this time to have realised sufficient from the royalty on the export of Rubber to have made considerable impression upon the Debt, but unfortunate hindrances in the working of the Rubber Concessions Company have thus far prevented the favourable result hoped for. The new Syndicate formed, however, in London to work this enterprise under a license purchased from the Company, may, in the course of time, prove a profitable auxiliary towards cancelling. In the meanwhile there are under the consideration of the Treasury Department other propositions for the liquidation of our Foreign Debt, which will be laid before your honourable body.

It is, perhaps, unnecessary to remark that nothing has been done by the Government in the direction indicated.

In his Report for 1893 the Secretary remarks:—

The Department regrets to say that the impaired credit of the Government in Europe remains unrestored. The cause of this condition of things is within your knowledge. The necessity of the restoration of the credit of the country is most obvious when the markets of the world cannot be made available to the Government for its requisitions, excepting through foreign resident merchants or by personal guarantee of some of its citizens.

On the subject of the War Department, after alluding to a military expedition in the vicinity of Cape Palmas, the Report goes on to say:—

The frequent occurrence of petty feuds among the aboriginal tribes along the coast and the interior; the serious and embarrassing disadvantages to which our outlying agricultural settlements are subjected in consequence of the weaker tribes being either driven from their homes into the settlements, or carried away into slavery by more powerful and marauding tribes of the interior; the patent disposition of some of the coast tribes to set at defiance the sovereignty of the nation in the rightful enforcement of its Revenue laws; through the investigation of dishonourable influence by the employés of certain steamship companies, who, in the face of laws promulgated by the National Legislature, persist in carrying goods into towns along the coast which are not ports of entry, and thereby destroying the Revenue, are patent causes which conspire to render the necessity of

the maintenance of an armed police force more absolute at the present than at any previous period in the existence of the country. The revenue of the County of Sinou has not only been interrupted, but it has been very nearly destroyed by the illicit trade carried on at Settra Kroo.

With regard to the Navy, which at present exists only in "nucleus," the Secretary mentions the arrival at Monrovia during the year of the revenue steam vessel "Gorronam-mah," at a total cost, including hull, engines, stores, and navigation from Belfast, of \$31,430⁴⁰. This vessel has since been employed on the preventive service at Settra Kroo.

In the Report for 1894, the Secretary says:—

The Government has experienced very considerable financial embarrassment during the past fiscal year. It has been due to various causes: to the departure from the routine which has been inaugurated, and which was more assuring to public confidence; to excessive appropriations, added to the process of the liquidation of the War Debt.

* * * * *

A larger income is necessary to be secured to the country. The Revenue under its present apportionment is insufficient to meet the ends of the national Government, and, with its increasing requirements, it is necessary that a larger proportion be assigned to this most important division of the State. I, therefore, would most respectfully suggest that there be apportioned to the Government four-fifths of the Revenue accruing by Imports, Exports, Anchorage and Light dues, and also the entire amounts accruing from licenses for boats and crafts generally, as well as for trading licenses along the coast, without the limits of the ports of entry, such licenses to be issued and the amounts therefor collected by the naval officer or officers in command of the revenue vessel or vessels of this Republic.

That one-fifth of the amount of Revenue accruing from the sources already enumerated by Imports, Exports, Anchorage and Light dues be reserved in the Sub-Treasuries, and be drawn by drafts of the Secretary of the Treasury in payment of the appropriation for the

salaries of the Judges of the quarterly and monthly Courts, the Collectors of Customs, Custom-house Officers generally, and the Sub-Treasurers of the respective counties of the Republic.

For the purpose of meeting other contingent lawful claims and objects of the county organisation of this Republic, I recommend for your consideration increased imposts by taxation, in such manner and directions as you may deem expedient.

I do not think it either necessary or prudent to amend the present tariff as a whole ; but, as a nominal contribution to a needed increase of the Revenue, I recommend that Spirits be raised to \$1.20 per gallon, Tobacco to 10 cts. per pound, and Salt 50 cts. for 112 pounds.

The "Gorronammah" not being adequate to the work she was required to perform, the Secretary was authorised to procure another gunboat, \$60,000 being allowed for the cost. In reference to this he makes the following remarks :—

I have to inform you that the Department has issued \$40,000 in bonds of \$1,000 each, without duplicates in favour of the East African Company of Rotterdam, that Company being represented in Liberia by W. Bakker, Esq. The balance of \$20,000 to complete the conditions to be performed by the agreement on the part of the Government is to be accommodated by the execution of that amount of bonds on the arrival of the vessel at Monrovia, being due under the terms of the contract to arrive in January next ensuing.

The Report concludes as follows :—

There are numerous obligations of the Government which the honour of the nation demands should be discharged. The public credit at home should be maintained and the impaired foreign credit restored. The latter may not be accomplished at once, but the means to that end should be thoroughly sought out, and arriving at a conclusion as to the best and most practicable method of gradually effecting this result, there should be a sound policy laid down and closely adhered to for this object. This act alone will revive, to an extent, that confidence so very desirable with this, and necessary to every country.

Considering the foregoing, and also the importance of ample funds to place the country in a position to grapple with the problems of

tribal wars and other questions affecting the Sovereignty of the State on our interior frontier and along our coast line, there is but one truthful direction which points to this solution, showing the means by which these are to be measurably accommodated, if not fully met, and that is by general retrenchment.

It is not that the amounts being appropriated to be paid for salaries and other purposes are too much for those who give their services, or for purposes not entitled to the consideration of the Nation, but because of the utter inability of the country at present to pay for them in such proportions as are provided by the appropriations, with the limited income afforded through the present Revenue.

Five hundred thousand dollars is an aggregate amount required to maintain the Government and meet the numerous objects regularly appropriated for. The present Revenue, which has averaged in the past four years about \$165,261, is entirely insufficient to pay these appropriations, and, as a consequence, the Government is yearly increasing the Public Debt by approving claims, and for which the cash is always wanting under the appropriations. These claims, by approved bills, are required to be manipulated with the importer, and, as a further consequence, the Revenue is drawn for a year in advance of its being realised.

MEXICO.

EXTERNAL DEBT.

	Original Amount.	Present Amount.
Consolidated External 6 % Loan, 1888	£10,500,000	£10,209,860
External 6 % Loan, 1890	6,000,000	5,935,180
External 6 % Loan, 1893	3,000,000	2,984,200 (Issued to date.)
5 % Loan, 1889 (Tehuantepec Railway)	2,700,000	2,700,000
Total Gold ...		£21,829,240
* 6 % Silver Currency Bonds, 1890 (Monterey and Mexican Gulf Railway)	\$6,700,000	\$287,000

* These Bonds have nearly all been converted into 5 % Internal Stock.

Area 767,000 square miles.

Population 12,500,000.

Capital, City of Mexico. Population
(1893) 330,000

External Debt per head £1. 15s.

President General Porfirio Diaz
(1892-6).

Envoy and Minister Plenipotentiary
of Great Britain in Mexico ... Sir Henry Dering, Bart., C.B.

Envoy and Minister of Mexico in
Great Britain Don Manuel Iturbe.

Financial Agent of Mexico in Lon-
don Don Luis Camacho.

HISTORY OF THE PUBLIC DEBT (FOREIGN).

1824.—Loan for £3,200,000, issued in England at 58 per cent., bearing 5 per cent. interest.

1825.—Loan for £3,200,000, issued in England at 89½ per cent., bearing 6 per cent. interest.

These Loans fell into arrear, no dividends being paid from October, 1827, to April, 1831, inclusive.

1831.—In 1831 the Arrear Coupons were exchanged for Deferred Bonds, to bear interest from 1st April, 1836. The Six per Cent. Deferred Stock was issued at 75 per cent., and the Five per Cent. Deferred Stock at 62½ per cent., and an acknowledgment was given for half the Coupons due from April 1st, 1831, to April 1st, 1836.

1846.—New Consolidated Debt. The Bondholders in 1846 accepted an Arrangement by which the entire Foreign Debt, as represented by the two above-mentioned Loans and the arrears of their service, were converted by the creation of a New Consolidated Debt of £10,241,650, bearing interest at 5 per cent. This Arrangement was duly carried out on the basis of the Active Bonds of the former Loans being converted into the New Consolidated Loan, at the rate of £90 of the latter to £100 of the former, including arrears of interest to 1st July, 1846, and the Deferred Bonds and Debentures at the rate of £60 of New Consolidated Stock to every £100 of Deferred Stock.

The New Consolidated Loan was apportioned as follows:—

To Holders of Active Bonds	... ..	£5,032,685
" " Deferred Bonds and Debentures	... ..	3,074,000
Redemption of part of Internal Bonds secured on the Tobacco and other Revenues, and the providing the Government with more funds	... ..	2,134,965

£10,241,650

This Arrangement soon fell through in consequence of the war between Mexico and the United States, when the latter took possession of Vera Cruz and Tampico, thus cutting off a part of the security pledged for the service of this Loan.

1851.—Conversion Loan. In 1851 a Conversion was arranged, by means of which the 1846 Bonds were exchanged for others of equal amount, bearing interest at 3 per cent. The service of the Debt was secured by an assignment of Export and Import Duties during the first six years, any surplus over the amount required for interest to go to Sinking Fund; after six years the Government to remit \$250,000 annually for amortisation. This Arrangement, however, fell into default in about three years, no interest being paid from 1st July, 1854, to 1st July, 1863, by which time the arrears (9½ years' interest at 3 per cent. on £10,241,650) amounted to £2,918,870.

1864.—New Mexican Three per Cent. Stock. To meet the requirements of the Debt, as above stated, the Empire proceeded to fund its Obligations into a New Mexican Three per Cent. Stock, amounting to £4,864,800, which was issued at the rate of £100 Stock to £60 arrears. The half-yearly dividend due 1st January, 1864, was to be paid in cash, and two years' dividend on the original Three per cent. Bonds, as well as on the New Mexican Stock, was to be retained out of the New Mexican Six per Cent. Loan of April, 1864. Default was made in January, 1867.

1864.—Six per Cent. Loan (Maximilian Loan). Issued at 340 fr. to 345 fr. per 500 fr. Bond. This Loan was also raised by the Empire with the object of acquiring funds for upholding it against the Republican party at the time of the French intervention, and for paying expenses connected with the latter. It was issued partly in France and partly in England, to the amount of £7,790,000, representing a nominal amount of £12,365,000, at 63 per cent. Interest ceased to be paid in October, 1866, and the Loan has since been definitely repudiated by the Republic on the ground that it was contracted for the purpose of combating the constitutional Government. As, however, a sum of 1,729,553⁶⁶ fr. in 3 per cent. Rentes out of the proceeds of the Loan was deposited at the Caisse des Dépôts et Consignations, Paris, together with four millions 3 per cent. Rentes added by the French Government, and 3,549,968⁶⁷ derived from Customs Dues collected under the French Military Administration in Mexico, the Bondholders of the Loan—which had

been reduced by drawings and by the cancelment of Bonds held by the French Government—received a distribution of fr. 6.45 in 3 per cent. Rentes with a cash payment of like amount for each 500 fr. Bond.

- 1886.—Consolidated Debt. In 1886 a new Arrangement was entered into, whereby the Holders of the Old Securities (with the exception of the Six per Cent. Loan of April, 1864) were to receive for them New Bonds, bearing 1 per cent. interest for 1886, $1\frac{1}{2}$ per cent. for 1887, 2 per cent. for 1888, $2\frac{1}{2}$ per cent. for 1889, and 3 per cent. thereafter.

These Bonds were issued on the following principle :—

For £100 of Bonds of the Three per Cent. 1851 Arrangement, with arrears from January, 1867, were given	£109 of New Bonds.
For £100 of Three per Cent. 1864 Stock were given	£50 " "
For £100 of Deferred Bonds, 1837, were given	£20 " "
For £100 of unpaid Certificates of Conversion, 1851, were given ...	£20 " "
For £100 of Barings' Certificates (representing one-third of the Coupon of July, 1866), were given	£20 " "
For £100 of Active Bonds, 1843, with all Coupons, were given	£29 " "

The Government were to have the right, up to the 31st December, 1890, to purchase Bonds in the market, or to redeem them by drawings, at the rate of 40 per cent. nominal value. After that date to redeem by purchase or by drawings at the rate of 50 per cent. of their nominal value.

- 1888.—Mexican Consolidated External Six per Cent. Loan. This Loan, of which the authorised amount was £10,500,000, was issued in London, Berlin and Amsterdam, at $78\frac{1}{2}$ per cent. The first amount offered was £3,700,000, in March, 1888, and the balance of £6,800,000 was periodically issued to Messrs. A. Gibbs & Son, and to certain Continental banking-houses on their depositing an equivalent amount of Mexican External Bonds of 1851 and 1886. The Securities assigned to this Loan are 21 per cent. of the nett Export and Import Duties, and the total nett proceeds of the direct

Taxes on land, houses, industries, etc., collected in the Federal district of Mexico. The primary object of the Loan was to extinguish the interest-bearing Floating Debt, and to redeem the Three per cent. English Debt of 1886.

The principal is redeemable at par, by an accumulative Sinking Fund of $\frac{1}{2}$ per cent., commencing on 1st April, 1893.

1889.—Five per Cent. Tehuantepec Railway Loan. This Loan consists of £2,700,000 Five per Cent. Bonds, offered in London and Berlin by Messrs. Seligmann and the Dresdner Bank, at $77\frac{1}{2}$ per cent. £1,300,000 Bonds were allotted, the remainder being subsequently disposed of privately, at about the same rate.

The object of this Loan was to complete the National Tehuantepec Railway. It is secured on the Railway and Works, 50 per cent. of the gross receipts being assigned for the service of the Loan, any deficiency having to be made good by the Government.

The principal is redeemable at par, in fifty years, by half-yearly drawings, commencing 1st July, 1899.

1890.—Six per Cent. Silver Currency Bonds, Monterey and Mexican Gulf Railway. Issued in London and Amsterdam, at 65 per cent. Amount authorised, \$6,700,000. Amount outstanding, \$546,600. The principal and interest payable in Silver currency.

The object of the Loan was to furnish funds for the construction of the Monterey-Tampico Railway. The Bonds have now been almost entirely converted into Five per Cent. Internal Redeemable Stock.

1890.—External Six per Cent. Loan. Issued in London, Berlin and Amsterdam, at $93\frac{1}{2}$ per cent. The amount of the Loan authorised was £6,000,000. It is secured on 14 per cent. of the total proceeds of the Import and Export Duties, with an undertaking on the part of the Government to assign such a larger proportion, if necessary, as shall maintain a margin of 10 per cent., at least, over and above the amount required for interest and Sinking Fund.

The principal is redeemable by means of $\frac{1}{4}$ per cent. Sinking Fund, by quarterly drawings, or by purchase when under par.

1893.—External Six per Cent. Loan. The total authorised amount of this Loan is £3,000,000, of which £2,594,720 were offered by Messrs. Glyn, Mills & Co., in November, 1894, at 68 per cent.

The security is 12 per cent. of the Export and Import Dues, and the principal is redeemable by $\frac{1}{4}$ per cent. Sinking Fund, by quarterly drawings, or by purchase, when under par.

INTERNAL DEBT.

Señor Limantour stated in the memorial presented by him to the Chamber of Deputies on the 14th December, 1895, that the conversion of the various categories of Internal Debt into the Consolidated Internal Three per Cent. Debt, and the Internal Redeemable Five per Cent. Debt, respectively, was being carried out successfully. As a result of this, the amount of Bonds in circulation of the Consolidated Internal Three per Cent. Debt might be taken at \$47,000,000, as, although that amount had not yet been reached, it was almost certain that it would be by June 30th, 1896, the date on which the conversion into this Debt would be closed. As regards the Internal Redeemable Five per Cent. Debt, the first series of \$20,000,000 had been already issued, and this would necessitate a further issue of a second series which Congress had sanctioned by a recent Decree.

The Minister gave a list of some partial conversions which were still outstanding. These were for comparatively small amounts, with the exception of the Southern Railway Bonds, which, as they enjoy sundry privileges and are guaranteed by the Custom House and by the Federal Revenue Office at Oaxaca, had only been presented for

conversion to a small extent. The list in question was as follows :—

Stock.	Outstanding.	Original Amount.
	\$	\$
Southern Railway Bonds	9,310,000	10,368,000
Monterey and Gulf Railway Bonds	287,000	5,534,000
Tula to Pachuca and Tampico R.R.	458,000	560,000
Pachuca to Tampico R.R.	3,000	80,000
Tampico Harbour Works	47,000	2,717,000
Tonalá Mole	10,000	450,000

LIQUIDATION OF BUDGET, 1894-5.

In the same memorial the Minister of Finance submitted his statement of Revenue received and Expenditure effected during the financial year 1894-5, which ended on 30th June, 1895. It is satisfactory to see that according to this statement the year in question closed with an insignificant deficit, and that if the extraordinary expenditure were omitted, the result would show a substantial surplus.

The figures given by Señor Limantour, are as follows:—

Cash Disbursements of all kinds	\$43,967,318.40
Normal Cash Revenue	43,945,699.05
Deficit	\$21,619.35
Or, deducting \$1,134,655.71 extraordinary Ex- penditure, a Surplus of	\$1,113,046.36

Taking into consideration the heavy burden laid upon Mexico, which is an essentially silver country, by the depreciation of that metal during the last few years, this result cannot but be considered creditable to the Government, and more especially to the Finance Minister.

ESTIMATED RECEIPTS FOR 1896-7.

IMPORT DUTIES.

As was the case with regard to the Revenue which it was estimated would be derived from this source in the Budget of the previous year, Señor Limantour felt that it was a task of considerable difficulty to make an accurate calculation of the Importation Dues during 1896-7.

During the last six years these had amounted to—

In 1889-90	...	...	...	...	...	\$21,772,583
„ 1890-1	...	...	...	...	...	20,178,744
„ 1891-2	...	...	...	...	...	20,031,365
„ 1892-3	...	...	...	...	...	16,839,276
„ 1893-4	...	...	...	...	...	15,313,926
„ 1894-5	...	...	...	...	...	17,738,129

During the first five months of the financial year 1895-6 the amount collected from this source had exceeded that of the corresponding period of the preceding year by \$1,948,000. If the remaining seven months only produced an equal amount as during the same period in 1894-5, the total collected would be \$19,686,129. Señor Limantour, however, placed his estimate for 1896-7 at \$18,500,000.

EXPORT DUTIES.

A reduction of 25 cents. per 100 kilos. in the Exportation Dues on non-hulled coffee is mentioned under this heading, as well as the exemption of all export duty on "henequen," and the reduction of the fiscal duties on the same fibre from 60 to 50 cents. per 100 kilos. Under these circumstances Señor Limantour estimated that the Export Duties would produce \$1,301,825.

STAMP DUTIES.

With a view of showing how these duties had swelled the revenue, and contributed towards the overcoming of the financial difficulties of the nation, the following list of receipts from this source during the preceding four years is given, viz. :—

1891-2	...	...	...	...	...	...	\$ 9,366,000
1892-3	...	...	...	...	...	...	11,045,000
1893-4	...	...	...	...	...	...	14,453,000
1894-5	...	...	...	...	...	...	15,593,483

For the current financial year it was anticipated that the return from this source would be \$15,572,000.

TAXES ON GOVERNMENT SALARIES.

It was proposed to reduce this tax, which weighs heavily upon the employés of the Government, by 40 per cent. The estimated return therefrom was \$700,000.

TOLL DUES.

Señor Limantour referred to the almost certain abolition of the Octroi Duties, and remarked that the constitutional reform about to be sanctioned would not affect in any way the equilibrium of the Budget, as far as the Receipts derived by the Treasury from the Toll and Excise Dues in the Federal District were concerned, since the amount received from said Dues will be collected in another form. He therefore estimated this tax to produce \$1,680,000.

POST-OFFICE RECEIPTS.

A fall of \$200,000 was anticipated in the revenue from this source, owing to the reduction in the rates of Inland Postage, and the Minister accordingly estimated that the receipts for 1896-7 would amount to \$1,140,000.

The estimated Receipts under these different heads for 1896-7 were shown to be as follows:—

Taxes on Foreign Trade—

Import Duties	...	...	...	...	\$18,500,000
Export	..	..	..	..	1,301,825
Two per Cent. for Port Works	...	...	...	...	370,000
Special Port Dues	...	...	...	...	47,000
Tonnage, Lighthouse and Warehouse Dues	...	...	...	...	102,000
Navigation Dues	...	...	...	...	1,000
Pilotage and Port Captain's Dues	...	...	...	...	18,000
Sanitary Dues	...	...	...	...	60,000
Excise Dues in the Federal District	...	...	...	...	188,000
Consular Fees	...	...	...	...	181,000
Fees on Certificates issued by Ministers or Consuls	...	...	...	...	7,000
Dues on Packages in Vera Cruz	...	...	...	...	28,000

Inland Federal Taxes—

Stamp Revenue	...	...	...	...	15,572,000
Tax on Government Salaries	...	...	...	...	700,000
Duties on precious metals	...	...	...	...	2,540,000
Duties on Patents and Trade Marks	...	...	...	...	16,000
Direct Taxes in Federal Districts and Territories	...	...	...	...	1,500,000
Toll Dues	..	..	..	..	1,680,000
Legacy and Donation Duties	...	...	...	...	150,000
Other small Taxes	...	...	...	...	10,000

Public Services—

Post office Receipts	...	...	...	...	1,140,000
Telegraph Receipts	...	...	...	...	550,000
Tehuantepec Railway Receipts	...	...	...	...	120,000
Lottery and Sundries	...	...	...	...	1,320,000

\$46,101,825

ESTIMATED EXPENDITURE FOR 1896-7.

Having thus laid the Estimate of Receipts before the Chamber of Deputies, Señor Limantour prefaced his exposition of the estimated Expenditure by observing that these Estimates had been compiled, speaking generally, with a view to the development of the country's great resources, by means of a gradual and well-chosen extension of such administrative services as have a more effectual and direct bearing on such development. The fast ap-

proaching completion of the works for the drainage of the Valley of Mexico would leave at the Government's disposal for the next financial year the large amount which had been hitherto devoted to that undertaking. This would allow of important contributions being made to the Department of Communications and Public Works, and also to the Departments of the Interior, Commerce and Industry, Justice and Public Education.

FOREIGN AFFAIRS.

An increase of \$10,581 over the Estimates for the preceding year is shown. This arises principally from the appointment of new Consuls, Consular Agents, and other employés.

HOME OFFICE.

In the Estimates for this Department an increase of \$574,720 appears, due principally to the inclusion in the National Budget of certain expenses on account of the staff of the Government Offices of the Federal District, the Police Inspectors' Offices, the Reformatory and the Prisons Department, which had previously been defrayed by the Federal District alone, and also to a larger expenditure in connection with the Board of Health.

JUSTICE AND PUBLIC EDUCATION.

A small increase of \$3,273 occurs in this Department.

COMMERCE AND INDUSTRY.

The increase of \$30,544 shown here is caused by augmentation of the staff and by extra salaries to the Members

of the Exploring Commission during their stay in the United States.

COMMUNICATIONS AND PUBLIC WORKS.

Under this head there is a decrease of \$138,786, owing to the fact that during the next financial year there will be no expenditure on account of the Drainage Works, which produces a saving of \$820,000. The difference between \$820,000 and \$138,786 is absorbed by increases in salaries and staff, in appropriations for road building, expenses of the National Palace, maintenance of the Chapultepec Forest, and in various works in connection with the Vera Cruz Harbour and other ports, lighthouses, etc.; also in the Postal and Telegraph service.

FINANCE AND PUBLIC CREDIT.

I.—ADMINISTRATIVE SERVICES.

The Estimates for this branch of the Department show an increase of \$154,647 and a decrease of \$52,645, or a net increase of \$102,002. The increase is principally on account of a change of organization in the National Treasury and the Custom Houses, and owing to loss of exchange and expenses in remittances not connected with the Public Debt Service; while the decrease is also connected to some extent with the same branches of the service, and, mainly, to the abolition of the salaries and expenses of the Public Debt Liquidation Committee, which will have ended its labours before the 30th June, 1896.

II.—PUBLIC DEBT.

Here a net decrease of \$44,394 appears, due mainly to the saving effected by the conversion of the various Internal Debts payable in Mexican money into the Three per Cent. Internal Consolidated Debt, and also to the diminution in the number of pension holders.

The net increase in the Estimates for the two branches of the Department of Finance and Public Credit amounts to \$57,608.

Señor Limantour, in connection with this Department, also said :—

The President is resolved not to contract for the present any new engagement in gold, nor to enter into operations which may in any way give uneasiness to the Creditors of the nation. It is expedient in every way to wait tranquilly during such time as may be necessary for a consolidation of the prices of our Public Securities, and the opportunity to bring about such combinations as will permit us to lighten the burden of the service of the Public Debt, and at the same time strengthen the National Credit.

WAR AND MARINE.

A saving of \$9,366 is shown in this Department, due principally to retrenchments in connection with the Navy and Maritime Administration.

The Estimated Expenditure under the different heads during 1896-7 was shown to be as follows :—

Legislative Power...	...	...	...	...	\$1,005,638.00
Executive Power ...	...	...	...	...	60,369.35
Judicature ...	...	...	...	...	479,175.25
Foreign Department ...	...	...	...	...	504,575.25
Home Department ...	...	...	...	...	3,180,363.00
Justice and Public Instruction ...	...	...	...	...	1,567,045.24
Commerce and Industry Department ...	...	...	...	...	650,016.91
Communications and Public Works Department	...	...	...	...	4,530,728.65
Finance Department ...	...	...	...	...	24,303,992.70
War and Marine ...	...	...	...	...	10,317,087.92
Total	...	...	...	...	<u>\$46,598,992.27</u>

SUMMARY.

Estimated Revenue for 1896-7	...	...	\$46,101,825.00
Estimated Expenditure for 1896-7	...	...	46,598,992.27
From the Expenditure, however, may be deducted the following :			
Balance outstanding from last pre- ceding Estimate, which is merely nominal	...	...	\$250,000.00
Salaries renounced by diplomatic officials and expenses for diplo- matic offices vacant and not de- cided to be filled	...	...	80,000.00
Expenses of Government of Fe- deral District which are included in National Estimates, but which will be dependent on obtaining other Taxes with which to de- fray them	...	...	253,829.75
			<u>583,829.75</u>
Estimated net Expenditure	...	...	\$46,015,162.52

Which would give a Surplus of \$86,662.48.

The Finance Minister concluded his address by saying:—

I may be allowed to state, without fear of being taxed with presumption, that in the history of our country this is the first time that the President of the Republic can announce to Congress, as I have now the pleasure of doing in his name, that the Receipts for the last months of the present year exceed the expenditure; that the Budget for next year can be established under conditions which will ensure its equilibrium; and that the account of the Federal Treasury for the present year, which is sent this day to the Chamber of Deputies, shows a considerable surplus.

For the future the vigorous development of the vital elements of the country will be, comparatively speaking, an easy task, by perfecting the working of all the public services; but, in any case, neither the nation nor its representatives must ever allow themselves to be allured by the fascination of an improving financial position, or forget for a moment those principles of order and wise economy which have so greatly contributed to save the country from the most perilous dangers which we have just succeeded in surmounting.

TABLES SHOWING SUMMARY OF IMPORTS FOR FISCAL YEAR 1894-5 IN
COMPARISON WITH IMPORTS OF 1893-4

	Admitted Duty Free.		Admitted on Payment of Duty.		Total.	
	1894-5.	1893-4	1894-5.	1893-4	1894-5.	1893-4
ANIMAL SUBSTANCES.	\$	\$	\$	\$	\$	\$
Live Animals	3,640	10,797	169,673	260,010	173,313	270,807
Hides, Hoofs, Bones, etc. .. .	..	..	567,391	302,880	567,391	302,880
Animal Products	13,370	11,922	789,496	817,868	802,866	829,790
Manufactured Articles	3,366	119	674,686	628,963	678,052	629,082
	20,376	22,838	2,201,246	2,009,721	2,221,622	2,032,559
VEGETABLE SUBSTANCES.						
Textile Fibres	13,925	..	2,341,747	2,016,616	2,355,672	2,016,616
Fruit and Grain	16,205	19,026	883,923	1,118,146	900,128	1,117,172
Various Vegetable Substances .. .	94,772	65,710	211,566	192,310	306,338	258,020
.. .. . Products	9,578	3,437	974,778	1,019,967	984,356	1,023,404
Timber and Manufactured Articles .. .	600,512	675,950	296,220	276,838	806,742	959,788
Various Vegetable Manufactures .. .	3,225	20	464,683	383,698	467,908	383,718
Furniture .. .. .	..	..	216,899	187,027	210,899	187,027
	738,217	764,143	5,389,826	5,194,602	6,128,043	5,958,745
MINERAL SUBSTANCES.						
Gold, Silver and Platinum	834,472	117,369	201,850	163,655	1,036,322	281,024
Copper	24,670	24,479	600,916	438,503	625,586	462,982
Tin, Lead and Zinc	6,115	3,148	102,514	73,377	108,620	76,525
Iron and Steel	285,165	441,254	2,427,516	2,054,929	2,712,681	2,496,183
Other Metals	541,664	506,643	3,281	12,131	544,945	518,774
Stones and Earths	1,040,790	1,051,373	675,187	614,256	1,715,977	1,665,620
Glass, Crockery, etc.	2,851	6,939	548,230	504,073	551,081	511,012
	2,735,727	2,151,205	4,559,494	3,860,924	7,295,221	6,012,129
TEXTILE SUBSTANCES & MANUFACTURED GOODS OF SAME.						
Cotton .. .. .	..	..	4,576,433	4,198,302	4,576,433	4,198,302
Flax .. .. .	..	..	488,690	489,827	488,690	489,827
Tin, Lead and Zinc .. .. .	..	..	1,735,418	1,459,060	1,735,418	1,459,060
Wool .. .. .	..	..	456,326	393,334	461,794	397,804
Silk	5,268	4,530	393,334	393,123	526,878	393,123
Silk with other Admixtures .. .. .	..	..	526,878	393,123	526,878	393,123
	5,268	4,530	7,783,945	6,933,646	7,789,213	6,938,176
Chemical Products and Drugs .. .. .	..	..	1,276,620	1,099,350	1,276,620	1,099,350
Spirituous Liquors .. .. .	..	..	2,174,460	1,913,161	2,174,460	1,913,161
Paper and Paper Goods	172,258	143,557	1,167,419	924,858	1,339,677	1,068,415
Machinery and Fittings	151,892	146,047	3,574,507	3,399,331	3,732,399	3,545,378
Vehicles	141,977	162,312	137,538	151,891	279,515	314,203
Arms and Explosives .. .. .	..	..	853,691	866,114	853,691	866,114
Various	979	1,058	909,000	798,201	909,979	799,259
Total Importation	3,972,694	3,395,690	30,027,746	26,891,799	34,000,440	30,287,489
Fiscal Year 1894-5, compared with 1893-4	+577,004	..	+3,135,947	..	+3,712,951	..

NOTE.—The value of these Imports has been computed by estimating the Mexican dollar at par, viz. :—
\$5.00 to the £ English; \$1.00 to the \$ American; \$0.20 to the Franc; \$0.25 to the Mark.

NATURE AND VALUE OF EXPORTS DURING THE LAST
THREE YEARS.

GENERAL MERCHANDISE.

Description.	Fiscal Year 1894-5.	Fiscal Year 1893-4.	Fiscal Year 1892-3.
	\$	\$	\$
Spirituous Liquors ...	10,210	4,051	6,326
Cotton	138	5,269	7,492
Live Stock of all sorts...	1,743,725	141,431	145,978
Jewellery and Precious Stones	44,573	29,307	8,524
Pearls	8,500	14,230	15,080
Indigo	9,921	87,797	91,281
Sugar	94,001	194,844	61,464
Coffee	12,670,783	11,766,090	8,727,119
Coal	232,919	205,605	33,960
India-rubber	91,685	58,821	51,829
Horsehair	70,802	86,242	79,063
Copper	2,148,184	1,979,728	2,265,881
Chicle Gum	679,367	803,017	705,169
Chile Peppers	43,511	49,361	154,292
Beans	205,192	134,109	130,080
Fruit (fresh and dried)	125,460	139,147	104,042
Peas	362,290	209,085	95,498
Henequén (raw and manufactured) ...	7,724,092	6,743,720	8,905,178
Ixtle (ditto)	349,537	461,614	588,547
Timber (various) ...	2,689,411	2,073,907	1,673,738
Maize	197,659	57,562	4,844
Marble	167,136	108,512	349,233
Honey	79,075	122,995	118,572
Hides (various) ...	1,350,262	2,256,460	2,067,239
Zacaton (broom stuff)...	846,166	941,853	890,560
Cotton Seed	1,350	66,437	331
Tobacco	1,460,133	1,755,314	1,459,830
Vanilla	423,084	1,183,722	967,815
Lead	1,807,402	100	345,646
Other Articles	2,672,531	1,177,597	950,291
Totals	38,319,099	32,858,927	31,004,902

TABLE SHOWING VALUE OF PRECIOUS METALS EXPORTED
FROM MEXICO DURING FISCAL YEARS 1892-3, 1893-4 & 1894-5.

Description.	Fiscal Year 1894-5.	Fiscal Year 1893-4	Fiscal Year 1892-3
	\$	\$	\$
Argentiferous Copper...	...	374,224	2,080
Gold Ore	59,660	55,799	144,985
Silver Ore	10,935,353	9,023,596	10,940,750
Foreign Gold Coin ..	34,887	37,592	2,912
Mexican Gold Coin ...	164,113	135,999	113,964
Gold Bullion	4,139,645	155,954	358,687
Mixed Gold ... ..	...	478,890	404,563
Foreign Silver Coin ...	485,326	209,250	232,771
Mexican Silver Coin ...	17,077,119	17,386,338	27,170,865
Silver Slag	50,866	60,590	19,292
Silver Bullion	18,803,876	3,130,823	5,148,599
Mixed Silver ... ..	...	4,750,774	2,977,994
Sulphuret of Silver ...	785,009	757,101	1,584,202
Argentiferous Lead ...	...	9,927,324	7,402,641
Argentiferous Zinc ...	...	106	—
Total	52,535,854	46,484,360	56,504,305

SUMMARY OF EXPORTS.

	1894-5.	1893-4.	1892-3.
	\$	\$	\$
General Merchandise ...	38,319,099	32,858,927	31,004,902
Precious Metals	52,535,854	46,484,460	56,504,305
Total Exports	90,854,953	79,343,387	87,509,207

It is satisfactory to see that during the Fiscal Year 1894-5 the Exports had more than recovered the falling-off shown between the years 1893-4 and 1892-3.

The following Table shows the value of the principal Imports and Exports during the last three years, and the countries principally interested in trade with Mexico :—

Country.	Fiscal Year 1894-5.		Fiscal Year 1893-4.		Fiscal Year 1892-3.	
	Importation.	Exportation.	Importation.	Exportation.	Importation.	Exportation.
	\$	\$	\$	\$	\$	\$
Germany ..	3,361,643	3,113,235	2,685,707	2,838,675	2,874,801	3,322,700
Belgium ..	319,580	380,265	329,945	400,770	397,583	915,272
Spain ..	1,918,661	914,160	1,948,929	553,531	2,211,743	417,458
United States	15,130,367	67,322,986	14,351,785	60,660,243	26,235,963	63,791,741
France ..	5,576,750	2,129,816	4,359,393	2,436,895	4,781,025	3,736,198
Guatemala ..	14,357	887,753	12,892	365,452	23,885	255,956
England ..	6,668,321	15,261,169	5,754,523	11,595,518	5,680,990	14,767,736
Cuba ..	4,658	..	547	218,915	310	183,836
Holland ..	127,187	65,420	108,248	47,810	199,679	3,258
India ..	151,870	..	116,074	..	190,987	—
Italy ..	121,398	26,814	105,754	2,220	141,008	3,025
Switzerland ..	115,108	150	80,780	320	114,532	—
Other countries	490,540	753,185	432,912	222,938	560,625	112,027
Totals ..	34,000,440	90,854,953	30,287,489	79,343,287	43,413,131	87,509,207

The trade of the year 1894-5 shows, therefore, the following increase in both Imports and Exports as compared with 1893-4 :—

Imports.			Exports.		
		\$			\$
1894-5 ... ..	...	34,000,440	1894-5 ... ..	...	90,854,953
1893-4 ... ..	...	30,287,489	1893-4 ... ..	...	79,343,287
Increase in 1894-5		\$3,712,951			\$1,511,666

The following Table shows the difference between the Imports and Exports in each of the Fiscal Years 1892-3, 1893-4, and 1894-5 :—

Years.	Imports.	Exports.	Excess of Exports.
	£	£	£
1892-3	43,413,131	87,509,207	44,096,076
1893-4	30,287,489	79,343,287	49,055,798
1894-5	34,000,440	90,854,953	56,854,513

RATE OF EXCHANGE.

The average Rate of Exchange during the seven Fiscal Years ending June, 1893, has been as follows, according to the Foreign Office Report compiled by Mr. Lionel Carden, H.B.M.'s Consul-General in Mexico :—

1886-7	...	...	...	...	\$6.00	=	₡1
1887-8	...	...	...	...	6.50	=	1
1881-9	...	...	...	...	6.50	=	1
1889-90	...	...	...	...	6.50	=	1
1891-2	...	...	...	...	6.70	=	1
1892-3	...	...	...	...	7.50	=	1

The following Table shows the movement of Shipping at the Ports of the Republic during the years 1892-3, 1893-4, and 1894-5 respectively, and includes vessels engaged in both Home and Foreign Trade :—

ENTERED.

Years.	Steamers.		Sailing Vessels.	
	No.	Tonnage.	No.	Tonnage.
1894-5 ...	4,078	3,083,050	5,497	345,923
1893-4 ...	3,628	2,589,768	5,330	348,228
1892-3 ...	3,680	2,700,915	5,499	353,863

CLEARED.

Years.	Steamers.		Sailing Vessels.	
	No.	Tonnage.	No.	Tonnage.
1894-5 ...	3,991	3,026,964	5,566	332,720
1893-4 ...	3,547	2,540,043	5,372	349,545
1892-3 ...	3,666	2,696,853	5,543	339,510

NEW ZEALAND.

NEW PLYMOUTH HARBOUR BOARD SIX PER CENT.
LOAN.

Amount of Loan	...	...	...	<u>£200,000</u>
Bonds purchased and held by Sinking Fund Commissioners	...			<u>£28,050</u>

Committee of New Plymouth Harbour Board
Six per Cent. Debenture-holders.

Right Hon. Sir John Lubbock,
Bart., M.P., *Chairman*.
Walter Busby, Esq., *Vice-Chairman*.
A. W. Ballance, Esq.
Hon. Sir C. W. Fremantle, K.C.B.
Daniel de Pass, Esq.

His Hon. Judge Snagge.
E. C. Schomberg, Esq.
J. S. Scrimgeour, Esq.
General Sir Luther Vaughan,
K.C.B.
Secretary.
James P. Cooper, Esq.

The Council have the satisfaction to record the payment of the balance due on the November, 1895, Coupon, as well as of the May, 1896, Coupon, in full.

The following Statement of Accounts for the year ending 31st December, 1895, has been published by the Harbour Board :—

SINKING FUND ACCOUNT.

RECEIPTS.

	£	s.	d.	£	s.	d.
Balance of Account on 31st December, 1894 ...				26,796	14	1
Interest received on Bonds... ..	2,061	13	6			
Interest received on Balance in Bank	94	14	9			
				2,156	8	3
				<u>£28,953</u>	<u>2</u>	<u>4</u>

EXPENDITURE.

	£	s.	d.
Purchase of £28,050 New Plymouth Harbour Bonds and Costs	25,330	15	0
Clerical Work	25	0	0
Balance in Bank of New Zealand on 31st December, 1895 ...	3,597	7	4
	<u>£28,953</u>	<u>2</u>	<u>4</u>

SINKING FUND AS AT 31ST DECEMBER, 1895.

	£	s.	d.
Face value of Bonds held	28,050	0	0
Balance in Bank of New Zealand	3,597	7	4
Interest owing 6s. in the £ on November, 1895, Coupons ...	252	9	0
	<u>£31,899</u>	<u>16</u>	<u>4</u>

GENERAL ACCOUNT.

RECEIPTS.

	£	s.	d.	£	s.	d.
Wharfage—Collected by Government £2,762 5 10						
„ Collected by Board	44	4	6			
				2,806	10	4
Berthage				319	19	3
Warps				267	3	7
Endowments (includes £10 received from New Plymouth Borough)				367	14	0
Port Charges				131	1	6
Postal Services				60	0	0
Sundries				16	1	6
				3,968	10	2
Balance on 31st December, 1895				944	3	0
				<u>£4,912</u>	<u>13</u>	<u>2</u>

EXPENDITURE.

	£	s.	d.	£	s.	d.
Balance on 31st December, 1894				124	17	8
General Expenses, Protection of Breakwater, Dredging, Materials, and Labour	4,476	12	2			
Office Charges	268	4	9			
Sundries	42	18	7			
				4,787	15	6
				£4,912	13	2

TRUST ACCOUNT.

RECEIPTS.

	£	s.	d.	£	s.	d.
Balance on 31st December, 1894				4,743	11	3
Land Revenue	8,588	15	3			
General Rates	5,751	17	2			
Interest	173	3	2			
				14,513	15	7
				£19,257	6	10

EXPENDITURE.

	£	s.	d.	£	s.	d.
Exchange, Commission, etc., on Coupons	174	6	7			
Collecting Rate, etc.	168	18	9			
Advertising and Printing	17	17	11			
Law Costs	14	18	7			
*Rolls, etc.	74	16	6			
Sundries	53	6	6			
				504	4	10
Transferred to Interest Account				14,700	0	0
Balance on 31st December, 1894				4,053	2	0
				£19,257	6	10

NEGOTIATIONS.

Contrary to the expectations of the Council, the New Zealand Government declined to adopt the recommendation

* Includes amounts paid New Plymouth Borough and Stratford, Clifton, Taranaki, and Hawera Counties.

of the Colonial Treasurer to submit to arbitration the question as to the alienation of 200,000 acres of land from the endowment of the Harbour Board.

Upon receiving an intimation to this effect the Committee met, and taking advantage of the presence in London of Mr. G. Hutchison, a member of the New Zealand House of Representatives, invited that gentleman to attend a meeting and give them the benefit of his views on the subject.

Mr. Hutchison stated that in his opinion the land revenue would soon suffice to pay the interest on the Debentures without needing to be supplemented by the rate.

This, however, left the question of the Sinking Fund in abeyance, and the Committee regarded this of so much importance that they resolved to request the Council to take steps to oppose the quotation of any new Loan for New Zealand on the London Stock Exchange so long as this question remained undecided.

The following letter was thereupon addressed to the Premier of the Colony :—

[*Copy.*]

COUNCIL OF FOREIGN BONDHOLDERS,
17, MOORGATE STREET, LONDON.,
29th April, 1896.

SIR,

The Committee of New Plymouth Harbour Board Six per Cent. Debenture-holders have had under their consideration a letter received from the Agent-General, dated the 10th February, 1896, in which they are informed that the Government of New Zealand decline to adopt the Hon. J. G. Ward's recommendation to submit to Arbitration the question as to whether the 200,000 acres of land

returned to the Natives in the Taranaki district formed part of the endowment of the Harbour Board or not.

The Committee desire me to point out that they refrained from taking steps to oppose a quotation on the London Stock Exchange of the £1,500,000 Three per Cent. New Zealand Loan which was brought out last year, in the full confidence that the Government would adopt Mr. Ward's recommendation. They much regret the refusal of the Government, and under the circumstances have resolved to request the Council of Foreign Bondholders to oppose the quotation of any new Loan on this market.

I have, etc.,

JAMES P. COOPER,
Secretary.

The Hon. R. J. SEDDON.

NICARAGUA.

Nicaragua Railways 6 per Cent. Mortgage

Bonds of 1886	£285,000
Interest in arrear, July, 1894, to January, 1896, inclusive	34,200
Total	<u>£319,200</u>

Nicaragua Committee.

Right Hon. Sir John Lubbock,
Bart., M.P., *Chairman*.
Claude Bishop, Esq.
F. E. Cooper, Esq.
W. R. Farquhar, Esq.
Hon. Sir C. W. Fremantle, K.C.B.
F. Hill, Esq.

Rt. Hon. W. L. Jackson, M.P.
F. B. Passmore, Esq.
C. M. Rose, Esq.
General Sir Luther Vaughan,
K.C.B.
Secretary.
James P. Cooper, Esq.

Area (about) 50,000 square miles.
Population (1895), 380,000 ; including Indians ... 420,000.
Present Capital, Managua. Population (about) ... 18,000.
Old Capital, Leon. Population (about) 25,000.

External Debt per head (including arrears of interest)—
15 Shillings.

President Gen. José Santos Zelaya (1894-8).
Minister and Consul-General of Great Britain for Nicaragua
(resident at Guatemala), Audley C. Gosling, Esq.
Consul-General of Nicaragua in Great Britain, Frederick S.
Isaac, Esq.

HISTORY OF THE DEBT (FOREIGN).

- 1827.—The proportion of the Debt of the Central American Federation (£163,300) taken over by Nicaragua in 1827 was two-twelfths, or £27,200.

No payment was made on account of this Debt until 1874, when an Arrangement was made, against the advice of the Council, by which the Bondholders received Post Bills bearing 5 per cent. interest, and redeemable in two, three, and four years, at the rate of £14 for each Old Central American Bond.

- 1886.—In December, 1886, a Loan of £285,000, bearing interest at 6 per cent., the Principal being redeemable at par in 1919, was issued on behalf of the Republic by the City Bank. Price of issue, 92½ per cent.

This Loan was specially secured by a first mortgage on the Nicaragua Railways and on the Customs Duties.

- 1894.—Interest fell into default on the 1st July, 1894.

- 1895.—In September, 1895, an *ad referendum* Arrangement was entered into between the Government and the Council of Foreign Bondholders for the settlement of the Debt. The chief provisions of this Arrangement were as follows :—

(1.) Interest on the principal of £285,000 to be paid from the 1st January, 1896, at the rate of 4 per cent. per annum.

(2.) The Coupons in arrear from 1st July, 1894, to 1st January, 1896, inclusive, amounting to £34,200, to be deposited with the Council, and Certificates to be issued against them for 50 per cent. of their nominal value.

(3.) An accumulative Sinking Fund of 1 per cent. on the Principal of £285,000, to be applied one half to the redemption of the said Principal, and one half to the redemption of the Certificates by purchases or tenders when the price is below par, and by drawings when the price is at or above par. When all the Certificates are redeemed the whole 1 per cent. to be applied to the amortisation of the Principal.

(4.) A special Tax of at least \$1 gold on each quintal of Coffee exported to be assigned as security for the service of the Debt, and to be continued until all the Bonds and Certificates are redeemed. Warrants representing the whole of the said export duty to be issued by the Government and handed to the Agent of the Bondholders in

Nicaragua; the duty only being payable in such Warrants. After the Agent has collected a sufficient sum to cover the whole of the Debt service for the year, the Warrants remaining in his hands to be returned to the Government.

If the sale of Warrants does not, from any cause, provide sufficient funds, the Government to make good the deficiency.

(5.) The Government to have the right to dispose of the railways hypothecated to the Bondholders on surrendering to the Council of Foreign Bondholders for cancellation £200,000 nominal in Bonds of the existing Debt, in which case the Bondholders release all further lien on the said railways.

NOTE.—The above Arrangement has been approved by the Executive Government and accepted by the Bondholders, and now (July, 1896) awaits the ratification of Congress.

REPORT.

The negotiations with Señor Barrios, referred to in the Appendix to last year's Report, did not result in any arrangement being effected.

In July of last year the Government instructed Dr. Luciano Gomez to re-open the negotiations, with the result that the following *ad referendum* Agreement was drawn up between Dr. Gomez and the Bondholders' Committee:—

NICARAGUA RAILWAYS SIX PER CENT. MORTGAGE BONDS OF 1886.

Ad referendum ARRANGEMENT FOR THE SETTLEMENT OF THE DEBT AGREED UPON BETWEEN SEÑOR DON LUCIANO GOMEZ, THE AGENT OF THE GOVERNMENT OF NICARAGUA, AND THE COMMITTEE OF NICARAGUAN BONDHOLDERS ACTING IN CONJUNCTION WITH THE CORPORATION OF FOREIGN BONDHOLDERS.

ARTICLE I. The total amount of the Nicaraguan Railways Six per Cent. Mortgage Bonds of 1886, made up to the 1st of January, 1896 is as follows:—

Principal	...	...	...	...	£285,000
Interest at 6 per cent. per annum from					
July, 1894, to January, 1896, inclusive					34,200

ARTICLE 2. The rate of interest on the said Principal of £285,000 outstanding is to be reduced from 6 per cent. to 4 per cent. per annum, the first Coupon at the reduced rate being payable on the 1st of July, 1896, in respect of the half-year ending 30th June, 1896.

ARTICLE 3. The Coupons representing the arrears of interest above mentioned, payable from 1st July, 1894, to 1st January, 1896, inclusive, amounting to £34,200, shall be deposited with the Council of Foreign Bondholders, who shall issue Certificates in respect of them at the rate of 50 per cent. of the nominal amount (*viz.*, £17,100). These Certificates shall carry no interest, and shall be redeemed in the manner hereinafter provided.

ARTICLE 4. For the redemption of the said Principal of £285,000 outstanding, and of the Certificates of the nominal value of £17,100 issued by the Council in respect of the arrears of interest, there shall be assigned an accumulative Sinking Fund of 1 per cent. per annum on the said Principal of £285,000, commencing from the 1st of January, 1896. This Sinking Fund shall be applied half-yearly in the following manner :—

One half thereof to the redemption of the said Principal of £285,000 and one-half to the redemption of the said Certificates by purchases on the Market, or by public tender when the price is below par, and by drawings for payment at par when the price is at or above par.

When the whole of the Certificates have been extinguished, the entire 1 per cent. Sinking Fund shall be applied to the amortisation of the Principal outstanding.

ARTICLE 5. The Government reserves the right to increase the amount applicable to the amortisation of the Bonds or Certificates in the manner above provided out of other funds at its disposal, should it at any time desire to do so.

ARTICLE 6. The Government undertakes to provide for the expenses of the Bank in London charged with the Service of the Debt, including discount on bills if required, notarial charges, advertising and bankers' commission, on payment of interest and Sinking Fund.

ARTICLE 7. As security for the punctual payment of the interest and Sinking Fund, including the Debt Service expenses as mentioned above, the Government solemnly and irrevocably assigns a special tax of at least \$1 gold (four shillings English standard) on each quintal of Coffee exported, commencing from the 1st of January, 1896, and to be continued without alteration or diminution until the whole of the Bonds and Certificates are redeemed.

On the 1st day of January of each year, the Government will issue Warrants for the total amount of the said Export Duty for the year; the said Warrants shall be at the same time delivered to the Agent of the Bondholders in Nicaragua, and the said Export Duties shall be by Law only payable in such Warrants.

ARTICLE 8. As soon as the Agent of the Bondholders shall have in hand from the sale of the said Warrants a sufficient sum to provide for the payment in London in full in sterling of the interest and amortisation, together with the Debt Service expenses for any one year reckoned from the 1st of January, then the said Agent shall return the remaining Warrants to the Government, and the Service of the Debt shall be considered as satisfied for the said year.

The Government reserves the right to pay the amount due at any time in cash instead of Coffee Warrants, in which case the Agent of the Bondholders shall release any of the said Warrants on his hands, provided always that such cash payment shall be sufficient to provide for the payment in sterling in London of the full amount due for the Debt Service for the year.

ARTICLE 9. If, from any cause whatever, the sale of the Coffee Warrants should not furnish sufficient funds to provide the full sum required for the Debt Service and expenses for any half-year, the Government undertakes to at once make up the deficiency from other sources.

ARTICLE 10. The Agent of the Bondholders in Nicaragua shall be appointed and removable by the Council of Foreign Bondholders, acting on behalf of the Bondholders, and such Agent shall be exclusively under the control of the Council, but, nevertheless, each party shall be responsible only for their own acts and defaults, and not the one for the other of them.

ARTICLE 11. The expenses of the said Agency in Nicaragua shall be defrayed by the Government at the usual rate of commission payable to bankers for similar services.

ARTICLE 12. The sums collected by the Agent of the Bondholders for the service of the Debt, as above provided, shall be remitted without delay by him to the Council of Foreign Bondholders at the lowest rate of exchange consistent with the procuring of first-class bills. The Agent shall notify to the Government the rate of exchange obtainable before making the remittances, and the Government shall have the right of substituting equally good bills at a lower rate if they can obtain the same, but this power shall not be used so as to delay the despatch of the remittances.

ARTICLE 13. If the Government is able at any time to dispose of the railways hypothecated to the Bondholders under the original contract of the Loan they shall be at liberty to do so on surrendering to the Council of Foreign Bondholders for cancellation Bonds of the existing Debt outstanding of the nominal amount of £200,000, and on this being done the Bondholders will release all further lien on the said railways. The clauses of this Contract which apply to the special Export Duty on Coffee and the delivery of the Coffee Warrants to the Bondholders' Agent shall, notwithstanding, remain in force until the entire Debt is extinguished.

ARTICLE 14. In compensation for the expenses of the Council and Bondholders' Committee, the Government agrees to pay the Council the sum of £1,250 sterling on or before the 1st of January, 1896; such sum to include the collection of the Coupons in arrear, the issue of Certificates, the necessary arrangements for their redemption by tender or purchase out of the Funds remitted by the Government, the delivery of the cancelled Coupons to the Government, advertising and printing, and other charges in connection with the operation.

ARTICLE 15. Any details of this Arrangement not specified and provided for in the foregoing Clauses to be agreed upon between the representative of the Government in London and the Council of Foreign Bondholders. Except as hereby varied, all the conditions and stipulations of the existing Bonds shall remain in full force.

ARTICLE 16. The present Arrangement is to be referred to the President of Nicaragua and to the Council of Foreign Bondholders for their approval.

As soon as the Committee is notified of the Executive Decree approving the Arrangement, they will request the Council to submit the same to a General Meeting of the Bondholders for their acceptance. When this is obtained the Arrangement shall be ratified by Law of the Congress of Nicaragua as early as possible next year.

LONDON, the 12th day of September, 1895.

On behalf of the Government of Nicaragua,

LUCIANO GOMEZ,
Agent of the Government of Nicaragua.

On behalf of the Committee of Holders of the Nicaragua
Railways Six per cent. Mortgage Bonds of 1886,

J. LUTHER VAUGHAN,
Acting Chairman.

The Committee did their utmost to impress upon the Representatives of the Government that the saving effected in the service of the Debt was a trifling matter in comparison with the injury done to the credit of the country in refusing to pay its obligations in full. This saving only amounts to £2,850 per annum, inasmuch as the Government undertakes to provide a Sinking Fund of 1 per cent. per annum in addition to the 4 per cent. annual interest. It is only fair to say, however, that the security given under the new Arrangement is more ample.

The foregoing Arrangement was approved by the Executive Government on the 19th October. It was thereupon submitted to a General Meeting of Bondholders on the 5th December, 1895, when the following Resolution was passed :—

RESOLVED—

“That this General Meeting of Holders of the Nicaragua Railways Six per Cent. Mortgage Bonds of 1886 accepts the *ad referendum* Arrangement for the settlement of the Debt dated September 12th, 1895, agreed upon between Señor Don Luciano Gomez, the Agent of the Government of Nicaragua, and the Committee of the Nicaragua Bondholders, acting in conjunction with the Council of Foreign Bondholders, subject to due effect being given thereto by Law of Congress of Nicaragua, and that the Council of Foreign Bondholders be requested and authorised to take the necessary steps to carry the same into effect.”

The Arrangement now awaits the ratification of Congress. Unfortunately, its consideration by that body has been delayed owing to the country having been in a state of revolution for some time past. It is understood, however, that peace has been restored, and that Congress is to meet in August. It may therefore be hoped that news of the ratification will be received before long.

Meantime the Council have been informed that the

London Bank of Central America, who have been appointed the Agents of the Bondholders in Nicaragua, have duly received the Coffee Warrants from the Government in accordance with Article 7 of the Arrangement. The sale of the Warrants has necessarily been greatly hampered by the revolutionary disturbances which have almost entirely prevented the exportation of coffee.

In view of this fact, and fearing that the funds in the hands of the Bank might not be sufficient for the payment of the first coupon under the new arrangement falling due on July 1st, 1896, the Council on the 3rd June sent the following telegram to President Zelaya :—

Council urge on your Excellency importance of providing for due payment Coupons, July 1st External Debt.

to which the subjoined reply was received :—

Drafts payment Coupons July 1st, in hands London Bank since 27th May.

The Council have recently been notified by the London Bank of Central America that they have received the sum of £7,125 for the service of the Debt for the half-year ending June 30th, 1896. As, however, the Committee of the Stock Exchange have declined to quote the Bonds *ex all* until Congress approves the Arrangement, it will be necessary to await the ratification by the Legislature before proceeding to distribute the funds in hand and issue the Certificates against the arrears.

PRODUCTION OF COFFEE.

1893	...	...	...	...	...	...	130,000 quintals.
1894	...	...	...	...	...	...	123,180 "
1895	...	...	...	...	...	...	160,000 "

Coffee, as well as other crops, such as corn, beans and

sugar, have suffered greatly in consequence of the continued drought. The coffee crop is not expected to reach 100,000 quintals during 1896.

INTERNAL DEBT.

The Internal Debt amounted to \$2,742,565 in 1892. In 1894 it was returned at \$7,000,000.

RAILWAYS.

Mr. W. J. Chambers, Her Majesty's Acting Consul at Granada, reports, under date of the 1st December, 1895, that a Contract has been signed by the Nicaraguan Government with Mr. F. K. Morris, of German nationality, for the construction of a railway from the town of Masaya, through the villages of San Juan, Niquinohomo, Masatepe, San Marcos, Jinotepe, and Diriamba, a distance of about 26 miles.

The work to be commenced within a month after the signing of the contract, and the line to be finished and open to the public within two years of the same date. Mr. Morris to receive the sum of \$620,000 silver (say £6,200), which will be paid to him in monthly instalments of \$18,000 silver, commencing on the 31st October, 1895.

It is to be regretted that practically no recent statistics with regard to Nicaragua are obtainable.

PARAGUAY.

External Debt of 1886 outstanding ...	£834,500	0	0
Bonds of 1896, issued for Arrear Coupons from 1st July, 1892, to 1st January, 1896, inclusive, and expenses of Conversion, etc. ...	160,100	0	0
	<u>£994,600</u>	<u>0</u>	<u>0</u>

Amount of Guarantee due from Government to Paraguay Central Railway to April 30th, 1896, subject to adjustment ...	409,467	6	2
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Paraguay Committee.

Hon. Sir C. W. Fremantle,
K C.B., *Chairman*.
Sir E. Robert Edgcumbe.
W. Freke Evans, Esq.
E. M. Greenway, Esq.
George Herring, Esq.
L. R. Lack, Esq.
A. Pinto Leite, Esq.
Rt. Hon. Sir John Lubbock,
Bart., M.P.

W. Rendall Moore, Esq.
F. P. Obicini, Esq.
M. Van Raalte, Esq.
Rt. Hon. Sir E. Thornton, G.C.B.
S. Leith Tomkins, Esq.
E. Zuccani, Esq.

Secretary.
James P. Cooper, Esq.

Area ...	98,000 square miles.
Population (1893) ...	480,000
Capital, Asuncion. Population estimated at ...	30,000

External Debt, per head (exclusive of Railway Guarantee)...	£2. 1s. 6d.
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President	Gen. Egusquiza (1894-7).
Envoy and Minister of Great Britain in Paraguay	Hon. W. A. C. Barrington (resident at Buenos Ayres).
Fiscal Agent of the Republic in London	...	...	...	Don José I. Machain.
Agent of the Bondholders at Asuncion	...	...	...	H. L. White, Esq.

HISTORY OF THE PUBLIC DEBT (FOREIGN).

1871.—Eight per Cent. Loan. £1,000,000, issued by Messrs. Robinson, Fleming & Co., at 80 per cent. Sinking Fund, 2 per cent.

1872.—Eight per Cent. Loan. £2,000,000, issued by Messrs. Robinson, Fleming & Co., at 85 per cent. Accumulative Sinking Fund 2 per cent.

1874.—Both Loans went into default.

These Loans were a subject of inquiry by the Parliamentary Committee of 1875. Of the second Loan, about £1,400,000 was repurchased by the Government Agents. All interest paid came out of the proceeds of the Loans ; none was provided by the country.

1885.—Terms were arranged between the Government and the Bondholders' Committee acting with the Council as follows :—

(1) Reduction of the outstanding principal of the Debt by 50 per cent.

(2) Interest on the reduced Debt at 2 per cent. for 5 years, 3 per cent. for the next five years, and 4 per cent. thereafter, together with a Sinking Fund of $\frac{1}{2}$ per cent. from the eleventh year (June, 1896).

(3) An assignment of 500 square leagues (equal to 2,177,344 acres) of good and suitable public lands in full payment of the arrears of interest from the default to the 1st July, 1886, amounting to £1,306,217.

The amount of New Bonds to be issued in exchange for £1,505,400 of the Loans of 1871 and 1872 outstanding was £850,000. This amount covered the expenses of conversion, etc., and the balance was subsequently handed over

to the Paraguay Central Railway Company against arrears of guarantee.

LAND WARRANTS.—These were issued in the proportion of 830,000 square varas (about 145 acres) of land to each Holder of £100 nominal value of unpaid Coupons.

1888.—The Paraguay Land Company was formed to deal with the Land Warrants with a Capital of £250,000 in Shares of £5. The Company issued two fully-paid Shares for each £100 Warrant. The Warrant-holders provided working Capital in the form of 5 per cent. Debentures to the amount of £61,710. The name of the Company was altered in 1889 to that of Anglo-Paraguayan Land Company. It has since been reconstructed, and the Capital reduced.

1892.—The Coupons due July 1st went into default.

1893.—The Government proposed to issue 4 per cent. Moratorium Bonds in payment of interest in arrear, these Bonds to be secured by a special tax on "Yerba Maté," and the Committee intimated that they would be prepared to recommend this proposal to the Bondholders. The Arrangement was unanimously passed by the Chamber of Deputies in July, 1893, but was thrown out by the Senate in the following September.

1895-6. An *ad referendum* arrangement was concluded in August, 1895, between the Executive Government and Mr. H. L. White, the Bondholders' Agent at Asuncion. The terms proposed were accepted by the Bondholders, but at the same time the Government were asked to increase the rate of Interest and give better security. This they declined to do, and in April, 1896, Congress ratified the Arrangement of August, 1895. The chief provisions of this Arrangement are:—

(1) Interest on the 1886 Bonds to be reduced as follows:—

For the first three years from 1st January, 1896, to 1 per cent. per annum.

For the next three years to 1½ per cent. per annum.

" " " " 2 " " "

" " two " 2½ " " "

Thenceforwards till the extinction of the Debt, to 3 per cent. per annum.

(2) The arrear Coupons from July 1st, 1892, to January 1st, 1896, inclusive, to be funded at par into New Bonds bearing the above rates of Interest.

(3) A Sinking Fund of $\frac{1}{2}$ per cent. per annum to commence from 1st January, 1900.

(4) As security the State assigns the Export Duties on Yerba Maté, but reserves the right to increase, diminish, or suppress them; in this case some other Tax is to be assigned for the service of the Debt. One-twelfth part of the sum required for the annual service to be placed in the hands of the Bondholders' agent at Asuncion on the 1st day of each month. If the yield from the Yerba Duties is insufficient to provide the necessary amount, the deficiency to be made good by the Government. Any surplus to go to amortisation.

(5) In the event of the monthly payments not being made for a period of twelve months, the Bondholders to recover all their rights under the 1885 Arrangement.

REPORT.

After a considerable delay and in spite of much opposition exhibited by a section of the local press, an *ad referendum* arrangement for the settlement of the External Debt was drawn up between the Executive Government and Mr. H. L. White, the Bondholders' Agent at Asuncion, on August 14th, 1895. This Arrangement was approved by Congress on the 16th November, 1895, the Session having been specially prolonged for that purpose. The only alteration of any importance introduced by the Legislature was the addition of a clause to Article 10, giving the Government the right to increase, suppress, or diminish the Tax on Yerba Maté which is assigned as security for the service of the Debt.

The following is the text of the Law of Congress

authorising the Executive to sign the definitive Contract in accordance with the *ad referendum* arrangement.

[*Translation.*]

The Senate and Chamber of Deputies of the Paraguayan Nation assembled in Congress sanction with force of Law :—

ARTICLE 1. The Executive Power is authorised to sign with the Representative of the Council of Foreign Bondholders an Agreement settling the Interest and Amortisation of the Bonds of 1886 and the service thereof in conformity with the Bases signed on the 14th of August of the current year by the Minister of Finance, Dr. Don Benjamin Aceval, and Mr. Henry L. White, acting as Representative of the Council of Foreign Bondholders in London.

ARTICLE 2. Let this be communicated to the Executive Power.

Given in the Legislative Congress on the twelfth day of the month of November, One thousand eight hundred and ninety-five.

The President of the Senate,

F. INSFRAN.

FRANCISCO E. MELGAREJO, *Secretary.*

The President of the Chamber of Deputies, E. P. FLEITAS.

FEDERICO A. ZELADA, *Secretary.*

ASUNCION, *November 16th, 1895.*

Let this be considered as law, let it be published and let it be inserted in the "Official Register."

EGUSQUIZA.

BENJ. ACEVAL.

[*Translation.*]

BASES OF ARRANGEMENT OF EXTERNAL DEBT.

1. The service of Interest on the 1886 Bonds shall be reduced as follows :—

A. For the first three years, from 1st January, 1896, to 1 per cent. per annum.

B. For the next three years to $1\frac{1}{2}$ per cent. per annum.

C. " " " " " 2 " " " "

D. " " two " " $2\frac{1}{2}$ " " " "

E. Thenceforwards till extinction of Debt to 3 per cent. per annum.

2. The Sinking Fund shall be $\frac{1}{2}$ per cent. per annum upon the

Capital; the Government having the power to increase it when they may consider it desirable, and its service is postponed till 1st January, 1900, the Government reserving to itself the right to commence it earlier. This service shall be effected by means of purchase of Bonds on the London Stock Exchange, or any other Exchange where Paraguay stock is quoted, at the current market rates. If these Bonds should rise to par, or above par, the amortisation shall be effected by drawings at par. These purchases shall be effected by the Council of Foreign Bondholders in conjunction with the Financial Agent of Paraguay resident in London, or in default of this latter officer, the Diplomatic or Consular Representative of the State; and all the Bonds thus purchased shall be cancelled and delivered to the said Agent, who shall always have the right of verifying the interest and payments of the Capital made.

3. The Coupons due and not paid up to 1st January, 1896, which amount to £100,920, shall be converted into New External Debt Bonds, enjoying the same security as the Bonds of the External Debt issued in 1886. All Coupons converted into New Bonds shall be cancelled and annulled, and shall be delivered immediately afterwards to the Government's Financial Agent in London.

4. The New Bonds shall be issued to bearer for the respective amounts of £100 and £500 sterling each Bond, and shall be dated 1st January, 1896. Each Bond shall have attached to it 40 Coupons, representing the Interest payable each half-year in London, viz.: on the 1st January and the 1st July, at the rate each year of

1	per cent.	till 1st January, 1899	
1½	"	"	1902
2	"	"	1905
2½	"	"	1907
3	"	thenceforwards till extinction of Debt.	

5. From the 1st January, 1900, the Government shall establish a Sinking Fund of ½ per cent. per annum at least, calculated upon the total amount of the New Bonds to be issued, and this Fund shall be applied as shown in Basis 2.

6. The New Bonds shall be signed and sealed by the Finance Minister or his Representative in London appointed by the Executive, and shall then be delivered to the Council of Foreign Bondholders, which shall also sign them before putting them in circulation.

7. The operation of the present arrangement shall be carried out at the Offices of the Council of Foreign Bondholders, under the control

of the Representative of the Government, who shall have access to the registers and documents relating to the same arrangement for the purpose of verification.

8. The said operation shall remain open for two years from its commencement, and such Bonds as shall remain unissued shall be cancelled by the Council and delivered to the Government.

9. All the holders of Coupons due and unpaid up to the 1st January, 1896, and presented within the same year 1896, shall receive New Bonds with the 40 Coupons attached, but such holders as shall present them later shall forfeit such of the new Coupons as shall have become due before the date on which the Bonds are presented.

10. As security for the service of the 1886 and of the 1896 Bonds, the State specially assigns the total amount of the export dues on "Yerba Maté," viz., nine and ten cents gold per ten kilos., as laid down in Article 5 of the Law of the 24th of December, 1894, without prejudice to the Tax on Yerba being increased, diminished, or suppressed by the Honourable Congress, the service of the Debt, in the latter cases, having to be effected according to the terms of Basis II.

11. So long as any of the 1886 Bonds, or of the new 1896 Bonds shall be in circulation, the Central Custom House at Asuncion shall pay, on the first day of each month, counting from the 1st December, 1895, to the Representative of the Council of Foreign Bondholders in Asuncion, the sixth part of the half-yearly amount required for the payment in gold of the maturing Coupon, and shall also, at the proper time, pay over each month the twelfth part at least of the amount required as Sinking Fund, in accordance with the terms of Bases 2 and 5.

Any surplus which may appear in the monthly collection of the Export Duty assigned to the general service of the Debt, under Basis 10, after payment of the yearly Interest, shall be devoted to the service of the Sinking Fund in accordance with Bases 2 and 5; and in the event of the collection from the Export Duty assigned not being sufficient for the payment of the general service of Interest and minimum Sinking Fund agreed upon, the amount lacking to complete the service shall be taken from the receipts yielded by some other Tax which may be assigned to this service, or, failing this, by taking the proceeds of the other Custom House Dues (Export and Import) not assigned to other services by special laws. The Central Custom House shall deliver each month to the Representative of the Council

of Foreign Bondholders in Asuncion the funds corresponding to each monthly delivery required for the General Service of the Debt at the commercial gold rate upon the day of delivery, if the payment of the amount in gold, corresponding to each monthly delivery, is made in legal currency, or in other medium than gold.

12. The monthly payments laid down in Bases 1 and 4 shall be made without discount or charge, and these payments, as well as the amounts required for the redemption of Stock, and also the New Stock itself, as well as the special Agency and the drafts issued, shall be exempt from all and every description of Import or Contribution created, or to be created, Fiscal or Municipal.

13. The expenses for Agencies, advertising, and payments of the said sums for the service of the Debt in London shall be fixed at the rate of $1\frac{1}{2}$ per cent. on the amount of said payments, and shall be paid by the Government when it (the Government) makes its payments.

14. In the event of the monthly payments referred to in Basis 11 for the service of the Coupons of the 1886 Bonds not being made for a period exceeding twelve consecutive months, the holders of Bonds of the External Debt of 1886 shall recover all the rights which they enjoy under the Contract signed in London on the 4th December, 1885.

15. The Bases of the Contract which the Executive may make in conformity with the preceding Bases shall be printed on the back of the 1886 Bonds for the information of the Bondholders.

16. For the payment of all the expenses caused by this re-arrangement of the Debt, including the printing and registering of the New Bonds and the payment of the English Stamp Duty, Bonds of the External Debt for £60,000 shall be issued, which added to £841,000, which is the amount of the present issue, and to £100,920 to be issued in payment of the Coupons due and unpaid, will make a total of £1,001,920 Bonds of the Debt in circulation, upon which the Government of Paraguay will pay the service stipulated in this arrangement.

This sum of £60,000 in Bonds shall be deposited in the hands of the Council of Foreign Bondholders, and shall be sold by mutual agreement between the Representative of the Government and the said Council, and any surplus Bonds of the above-mentioned amount which may remain over, after payment in cash of all the Council's expenses shall be deposited with the latter to the order of

the Government as security for the payment of the Coupons at their due dates.

17. As soon as these Bases shall have been approved by the National Congress and by a Meeting of Bondholders, the Executive, through the intervention of its Representative, shall make with the Representative of the Council of Foreign Bondholders in Asuncion a definitive Contract, which shall be completely in harmony with these present Bases in all its parts. As soon as this Contract is made it shall be communicated by the Executive to the National Congress.

18. The 1886 Bonds which may be in the hands of the Council of Foreign Bondholders owing to some of the 1871 and 1872 Bonds not having up to the present been presented for conversion, or from amortisations effected, shall be delivered to the Financial Representative of the Government in London.

These present Bases were signed by His Excellency Dr. Don Benjamin Aceval, Minister of Finance of the Republic of Paraguay, duly authorised by the Executive, and by Mr. Henry Lewis White, Representative of the Council of Foreign Bondholders, and of the Committee of the Holders of the External Debt of Paraguay, in two copies of the same tenor, one for each of the contracting parties in Asuncion, on the 14th August, 1895.

BENJAMIN ACEVAL.

H. L. WHITE.

After due consideration the Committee decided to recommend the Arrangement to the acceptance of the Bondholders. They were satisfied that Mr. White had, in accordance with the instructions given him, done his utmost to obtain better terms. They had also taken the opportunity of consulting some of the principal Bondholders, who were of opinion that it would be wise to accept the terms offered rather than reject them and run the almost certain risk of a prolonged default.

In compliance, however, with the wishes of the Antwerp Committee, who represent the Belgian holders of Paraguayan Bonds, it was agreed that an appeal should be made to the Government to increase the initial rate of

interest to $1\frac{1}{2}$ per cent. and to issue Warrants against the Export Duties on Yerba Maté sufficient to cover the entire service of the Debt, with the proviso that, if the sale of Warrants for these special duties should prove insufficient to furnish the amount required for this purpose in any half-year, the Agent of the Bondholders should have the right to collect the deficiency from the Custom House against the surrender of a corresponding amount of unsold Warrants.

General Meetings of Bondholders were held in London and Antwerp on the 13th February last, when the following Resolution was passed :—

RESOLVED—

That this General Meeting of Paraguay Bondholders, being animated by the desire to come to an amicable arrangement with the Government of Paraguay, accepts the law of November 16th, 1895, trusting that the Government will recommend Congress, at its next session, to adopt the following modifications :—(1) Interest on the 1886 and on the new Bonds to be at the following rates :—For the first year, from 1st January, 1896, 1 per cent. ; for the next five years, $1\frac{1}{2}$ per cent. ; for the next three years, 2 per cent. ; for the next three years $2\frac{1}{2}$ per cent. ; thenceforwards till extinction of Debt, 3 per cent. (2) As security for Service of the Debt, the Government to deliver to the Bondholders' Agent at Asuncion the amount required for the total annual Service in Warrants representing Export Duties on Yerba Maté, and to make good any deficiency resulting from the sale of such Warrants.

The Government, however, declined to recommend the suggested alterations to Congress. In a letter to the Council, dated the 28th March, the Finance Minister writes :—

With respect to the amelioration of Interest which is solicited, it is impossible at present to make any proposal to Congress because the scanty resources upon which the country can count forbids it, and the Executive considers it idle to contract engagements to-day

which to-morrow it might not be able, from the force of circumstances, to fulfil. If the Government thought they could pay 2. or 1½ per cent. interest they would not have waited for the Bondholders to ask for it, but they would have been the first to offer it, as stated in their letter of the 10th December last to the Representative of the Council of Foreign Bondholders in this city.

The Creditors of Paraguay may be sure that what I have said is the truth, and that in the Bases approved by the Law of the 16th November last, the Government have offered what they can really give.

As to the hypothecation of the Customs Duties on the export of Yerba Maté by a system of issue of Warrants, which the Bondholders likewise wish to have established as a guarantee for the Service of the Debt, I have to declare that the Government are entirely opposed to such an idea, considering the said Service sufficiently guaranteed by the stipulations of Bases 10 and 11 of the Convention.

Mr. White was also of opinion that the Government could not afford to pay more than 1 per cent. interest at the outset, and he pointed out that, as merchants are in the habit of paying the duties in bills at thirty, sixty, or ninety days instead of cash, there would be a considerable difficulty in disposing of the Warrants.

Under these circumstances the Committee were disposed to think that it would be unwise to re-open the question, and perhaps jeopardize the whole arrangement, by bringing it again under the discussion of Congress.

The sacrifices demanded of the Bondholders are very onerous, but, at the same time, Paraguay has undoubtedly a claim to special consideration at the hands of her creditors. The war which this little Republic waged with its powerful neighbours from 1864 to 1870 resulted in the almost total extermination of the adult male population. It has been stated that it is difficult to find in Paraguay a man of middle age.

With the exception of Bolivia, Paraguay is the only

country on the South American Continent which has no sea-board. It is enclosed by the Republics of Argentina, Brazil, and Bolivia, and its only means of communication with the sea is by the River Paraguay, which flows into the Parana and thence into the estuary of the River Plate, the total distance from Asuncion to Buenos Ayres being about 1,200 miles. All Paraguayan exports have to pass through Argentine or Uruguayan waters, and the River Parana is only navigable for large vessels one-third of the way up to Asuncion, thus necessitating trans-shipment of goods. Paraguayan products are, moreover, excluded from Argentina and Uruguay by almost prohibitive tariffs.

Mr. Vansittart, Secretary of H.B.M.'s Legation at Buenos Ayres, says :—

The geographical position of Paraguay seems almost to preclude the possibility of its establishing direct commercial intercourse with Europe, or its being otherwise than dependent on the markets of the River Plate. The high protective tariff on Argentine sugar quite puts aside all possibility of Paraguay doing any trade with its neighbour in this commodity, of which Argentina now produces itself enough for its own requirements. Argentina also lays a very heavy duty on tobacco, which paralyses that trade.

Mr. White, writing on June 17th, 1895, says :—

Trade here is at a standstill. The Argentine Government have recently imposed a 4 cents Gold Duty per kilo. on Yerba, and likewise a duty of \$3 on every ton of sugar cane.

SERVICE OF THE DEBT.

The monthly payments to the Bondholders' Agent commenced on the 1st December, 1895, and have been duly remitted by Mr. White to the Council. The payment of the Coupons due the 1st July, 1896, in accordance with the new arrangement, was announced by the Bankers on the 16th June, and the Council have also advertised calling

in the 1886 Bonds to be stamped with the new conditions. It is expected that the New Bonds will be ready for issue at the beginning of August. The attention of Bondholders is particularly called to Article 9 of the Arrangement.

BUDGET, 1896.

The Council are not in possession of the details of the Budget for 1896. From a statement, however, rendered by the Accountant-General, it has learnt that the expenditure authorised by the Budget Law for the year 1896 was \$4,063,020.04
 Supplementary expenditure to the extent of 1,703,875.72
 was subsequently sanctioned, making a total
 Expenditure of \$5,771,895.76
 The Estimated Receipts were \$5,453,550.72
 leaving a deficit of \$318,345.04

The Accountant-General considered that this deficit might be increased to \$600,000 if the unforeseen expenses of the Government and the loss caused in the Customs Receipts by the fall in the gold rate were taken into account.

It is, however, probable that the Customs Receipts will exceed those shown in the Estimates, and the Government have stated that they have reason to believe the deficit will be covered.

PRESIDENT'S MESSAGE.

The following information is taken from the President's Message to Congress on April 1st, 1896. General Egusquiza appeals to all political parties to sink their differences

and unite together to stamp out the anarchical spirit which had brought such trouble on Paraguay in the past. He speaks favourably of the agricultural prospects, and mentions that the Argentine Government had lately reduced the duty on Paraguayan tobacco, so that a fresh stimulus had been given to this industry.

INTERNAL DEBT.

The Internal Debt showed the following results:—

	Currency.
Bonds in circulation from the 1st September 1894, to the 31st December, 1895	\$437,980
Bonds paid off and amortized in five half-years to the 30th November, 1895	60,790
Total Bonds in circulation	<u>\$377,190</u>

IMPORTS AND EXPORTS.

The value of the Imports had
 been \$ 2,462,520.50 gold
 and that of the Exports 12,728,626.87 currency.

REVENUE.

The total Revenue during 1895-6 had been as follows:—

	Currency.
Importation Duties	\$3,855,903.70
Exportation Duties	663,822.82
Various	580,768.74
Total	<u>\$5,100,495.26</u>

CURRENCY.

The President stated that the gold rate still kept up at 570 per cent., but with a tendency to drop. The paper currency was acquiring greater value, which might be partly accounted for by the confidence which the present state of affairs inspired, and the improved financial condition of the markets upon which Paraguayan commerce was dependent. The total amount of paper money in circulation was \$5,000,000.

PARAGUAY CENTRAL RAILWAY.

As a necessary complement to the arrangement of the External Debt, the Executive had taken steps with the view of settling the questions pending between the country and the Railway Company, which it was hoped would be ultimately successful.

PORTUGAL.

LOANS OUTSTANDING, EXTERNAL AND INTERNAL.

EXTERNAL—

Three per Cent. Consolidated Stock ...	...	£46,424,460
Four per Cent. Redeemable ...	...	2,480,217
Four and a-Half per Cent. Redeemable ...	...	15,867,264
Four and a-Half per Cent. Tobacco Loan ...	...	<u>9,408,400</u>

Total £74,180,341

INTERNAL—

*Three per Cent. Consolidated Stock 57,398,370

Total £131,578,711

Portuguese Committee.

The Rt. Hon. Sir Edward Thornton, G.C.B., <i>Chairman</i> .	The Rt. Hon. Sir M. E. Grant Duff, G.C.S.I.
C. E. Barnett, Esq.	The Rt. Hon. Sir John Lubbock, Bart., M.P.
W. H. Bishop, Esq.	Ricardo Palmer, Esq.
Right Hon. J. Bryce, M.P.	A. A. Tilleard, Esq.
F. W. Campion, Esq.	Edward Wagg, Esq.
Herbert Edlmann, Esq.	<i>Secretary.</i>
The Hon. Sir C. W. Fremantle, K.C.B.	James P. Cooper, Esq.

Area, Mainland	34,600 square miles.
„ Azores and Madeira	<u>1,200</u> „ „
Total	<u>35,800</u> „ „

Population (1890)	5,049,729.
Capital, Lisbon. Population (1890)	611,168.

External Debt per head (not including interest unpaid) ...	£14. 14s.
King	Dom Carlos.
Premier and Finance Minister	Dom E. R. Hintze Ribeiro.

* Quoted in London.

British Minister at Lisbon	...	Sir Hugh Guion Macdonell, K.C.M.G., C.B.
Portuguese Minister in London...		M. F. G. B. Arouca.
Consul-General in London	...	M. Anselmo Ferreira Pinto.
Portuguese Financial Commis- sioner in London	... ..	M. Abilio Lobo.

HISTORY OF THE PUBLIC DEBT (FOREIGN).

1831 to 1833.—Regency Loans. Issued at 48 per cent.	
Original amount £4,700,000 ; reduced by amor- tisation to	£4,000,000
1833.—Six per Cent. Loan. Issued at 94 per cent.	
Original amount £1,000,000 ; reduced by re- demption, and the balance converted into 3 per cent. Stock to	90,000
1835.—Three per Cent. Loan. Issued at 70 per cent.	
Original amount £6,000,000 ; reduced by a forced Conversion at 60 per cent. to	3,600,000
1836.—Loan issued at 80 per cent. Original amount £900,000, secured on Debt due from Brazil. For the most part merged into Brazilian Stock.	
Portugal's share about	250,000
1837.—Loan issued to capitalise Dividends, etc. Se- cured on Tobacco Revenues. Original amount £1,000,000.	1,000,000
Total outstanding	£8,940,000
1841.—Interest on the External Debt having been in arrear for 3½ years—although it is stated that the Internal Bondholders received their interest in full during a part of this period—a Decree was promulgated ordering a Conversion of the then outstanding Debt plus arrears as above, say	1,460,000
Total	£10,400,000

For the purposes of the Conversion this was taken as
£10,000,000, which was to bear interest as follows :—

2½ per cent. for 4 years from July, 1841.	
3 per cent. " " 1845.	
4 per cent. " " 1849.	
5 per cent. " " 1853.	

And afterwards 6 per cent. until the arrears were paid off.

1845.—A new Scheme was brought forward by the Government for the Conversion of the whole Debt into a Four per Cent. Stock. Holders of £6,500,000 Bonds accepted this Conversion, while £3,500,000 were retained in their original form, and upon these latter default was made in 1850 and 1851.

1853 to 1863.—The Government, finding it inconvenient to pay the 5 per cent. interest to which the Old Stock, under the 1841 Arrangement, was entitled, decreed a further forced Conversion of the whole External Debt into a Three per Cent. Stock at par. This measure provoked much opposition, and the Stock Exchange refused a quotation for the New Bonds.

Strong protests were addressed to the Government by the then Committee of Portuguese Bondholders, but without effect, until, in 1855, the Government, being desirous of obtaining fresh Loans, and with the view of disarming the opposition of the Bondholders, offered a bonus of an additional £14. 19s. 6d. of Three per Cent. Stock, with three years' interest in cash at 3 per cent. thereon, in respect of each £100 Five per Cent. Bond, and proportionate sums in respect of other classes of Stock. The opposition was then withdrawn and the quotation granted. Nominal amount issued, Three per Cent., £27,425,452.

1867 to 1892.—During these years seven issues of Three per Cent. Stock were made at prices ranging from $32\frac{1}{2}$ to $50\frac{1}{2}$ per cent., to an aggregate nominal amount of £48,960,000.

1876.—	Five per Cent. Loan, issued at $83\frac{1}{2}$	...	...	...	£306,400
1879.—	" " "	92 $\frac{1}{4}$	...	...	1,502,000
1882.—	" " "	92 $\frac{1}{4}$	...	...	4,085,760
Total					<u>£5,894,160</u>

1888-9.—Four and a-Half per Cent. Bonds, issued for the redemption of the above-mentioned Five per Cent. Loans, the Holders having the option of taking the New Stock at par, with a small cash bonus. Further Issues appear to have been made. Amount in June, 1894, £12,894,800.

1890.—Four per Cent. Bonds. Original amount, £2,513,370. No public Issue was made, the Bonds being taken firm by certain financial establishments. They were offered to the

public in France at fcs. 436.50 per Bond of fcs. 500. Amount in June, 1894, £1,852,220.

1891.—Four and a-Half per Cent. Bonds, secured on the Tobacco Revenue. Original amount, £10,000,000. This is the only Portuguese Loan upon which full interest is paid.

1892.—The interest on the External Debt, with the exception of the Tobacco Loan, was arbitrarily reduced by the Decree of 13th June, 1892, to one-third of its nominal amount, and the Council issued Certificates for the two-thirds unpaid in July of that year. In November, 1892, the Agents for the Service of the External Debt were authorised by the Government to give declarations reserving the rights of the Bondholders to the unpaid balance, and the Council consequently discontinued the issue of Certificates. It should be noted that the Sinking Funds of the Loans, where such exist, were not interfered with.

1893.—On the passing of the Law of May 20th, 1893, the Agents were ordered to cease giving declarations, and the Council therefore resumed the issue of Certificates in respect of the Coupons falling due on 1st July, 1893, of the Three per Cent. Loan; and on 1st October, 1893, of the Four and Four and a-Half per Cent. Loans.

Under the above-mentioned Law, the External Bondholders were granted one moiety of any excess on the Customs Revenues (excluding Tobacco and Cereals) over 11,400 contos per annum, and one moiety of the benefit arising from the fall in the exchange below 22 per cent. until such time as they should receive 70 per cent. of their interest, when the Internal Bondholders were to share equally in these benefits.

1896.—A Bill was presented to the Cortes for the conversion of all classes of Portuguese Debt, Internal as well as External, into a uniform 4 per Cent. Stock redeemable in 75 years. Under this scheme the 3 per Cent. Consolidated was to be converted at £52. 10s., the 4 per Cent. External at £77. 14s. 9d. and the 4½ per Cent. External at £85. 1s. 2½d. The 4 per Cent. Internal of 1888 at £85, the 4 per Cent. Internal of 1890 at £72. 14s. 11d., and the 4½ per Cent. Internal at £80. 19s. per cent. The consideration of this measure has been postponed to 1st January, 1897.

REPORT.

The attention of Bondholders is called to the Bill for the Conversion of the Portuguese Debt, the outlines of which are given above in the History of the Debt. The details of the scheme will be found on pages 271-81. During the adjournment of Congress until January, 1897, it is understood that the Government will take the opportunity of consulting the representatives of the Bondholders. It is doubtful whether the scheme as it now stands would be regarded as acceptable.

EXCESS CUSTOMS RECEIPTS.

Under the Law of the 20th May, 1893, by which the interest on the External Debt, with the exception of the Tobacco Loan, was reduced by two-thirds of its nominal amount, the Bondholders were to be entitled to one moiety of any excess of the Customs Revenues (excluding tobacco and cereals), over 11,400 contos per annum, together with one moiety of any benefit derived from a fall of the exchange below 22 per cent. until they should receive 70 per cent. of their interest when the Internal Bondholders were to participate equally in these advantages.

The exchange having, since the passing of this Law, remained several points above the prescribed limit, no benefit has been derived from this source. As regards the share in the excess Customs receipts, the result has been as follows :—

			Share of Excess Customs.			Bonus paid on £100 3 % Stock.
1893-94	...	...	£89,243	...	...	2s. 2½d.
1894-95	..	...	125,491	...	...	3s. 0¾d.

For the financial year ending the 30th June, 1896, the total yield of the Customs according to the latest returns received from the Junta do Credito Publico was £3,089,539. This should leave an excess over 11,400 contos of 556,206, half of which, £278,103, comes to the Bondholders.

At the present rate of exchange this should allow of the distribution in January next, in respect of the present year, of about 7s. per £100 Three per Cent. Stock.

The figures and statements given below are taken from the Budget Statement of Senhor Hintze Ribeiro, presented to the Cortes on the 16th March last, and from other official sources. The amounts have been converted for the convenience of the English reader at the par rate of $4\frac{1}{2}$ milreis to the £ sterling.

The following Table shows the amounts received and expended during the six years ending the 30th June, 1895. It will be seen that during the last two years a surplus has taken the place of the deficit, which used to be the chronic condition of Portuguese Finance. This would be very satisfactory were it arrived at independently of the sacrifices forced on the Bondholders.

Years.	Receipts.	Expenditure.	Deficit — or Surplus +
	£	£	£
1889-90	8,352,165	10,194,138	— 1,841,973
1890-1	8,434,746	9,889,945	— 1,455,199
1891-2	7,928,198	9,979,944	— 2,051,746
1892-3	8,838,867	8,997,435	— 158,568
1893-4	9,587,978	8,583,105	+ 1,004,873
1894-5	9,756,687	9,169,988	+ 586,699

The amounts here given are those of the Receipts and Expenses actually corresponding to the respective

budgetary periods. The total amounts received and paid, including arrears of former years, are somewhat larger.

They were for the last four years as follows:—

Years.	Total Receipts.	Total Expenses.	Deficit — or Surplus +
	£	£	£
1891-2	8,395,079	11,651,380	— 3,256,301
1892-3	9,499,707	10,751,719	— 1,252,012
1893-4	10,190,124	10,185,675	+ 4,448
1894-5	10,889,529	10,832,900	+ 56,628

Comparing the Receipts of the last two years there appears an increase of £699,405. This includes £174,712 from direct taxes and £108,607 from stamps, etc. On the other hand indirect taxes yielded £138,990 less than in the previous year owing to the excellent harvest, which caused a falling-off in the import of cereals. There was a decrease also in "Additional Taxes" of £79,800, some of these having been incorporated under separate heads. National property and miscellaneous revenues contributed an increase of £209,405. Among the cross entries, which show an increase of £179,036, are included Bonds in possession of the State, which figure for £158,941. The Extraordinary Revenues yielded £246,435 on account of the profits on minting operations from 1890 to 1893.

As regards Expenditure, the chief differences are as follows:—

General expenses gave an increase of £135,356, while the Public Debt absorbed £212,523. This includes £89,243, the share of the External Bondholders in the surplus Customs receipts for 1893-4. The ordinary Expenditure on Public Works increased by £160,265, while the extraordinary Expenditure, much of which was due to

damage caused by storms, was responsible for an increase of £155,003.

As regards the returns for 1895-6, the Accounts for the six months ending 31st December show the following result:—

Receipts *	£5,772,278
Expenditure †	5,785,291
Deficit on the half-year	<u>£13,013</u>

The increase in ordinary Revenue for the six months being £702,555, and that of Expenditure being only £256,053, there are good grounds for hoping that the Financial year will close without a deficit.

ESTIMATES FOR 1896-97.

ORDINARY REVENUES.

Direct Taxes	£2,655,922
Stamps and Registration	1,157,822
Indirect Taxes	5,486,352
Additional Taxes	159,333
National Property and Miscellaneous Revenues	988,950
Cross Entries	595,927
Total	<u>£11,044,306</u>

EXPENDITURE.

General Expenses and differences of Exchange	£1,895,843
Funded Debt	3,660,457
Expenses of Ministries, etc.	4,859,101
Extraordinary Expenses	557,000
Total	<u>£10,972,401</u>

The Estimates of Expenditure show an increase over those of last year of £455,964. This includes amongst other items:—

Probable Bonus payable to External Creditors	£123,245
Charges of Lisbon Municipal Loan which will pass through the Treasury	131,941
Compensation to Lisbon for loss of Land Tax now received by the State	8,889
Subsidy to Elementary Education	37,392

* £5,525,824 of this were ordinary receipts.

† The deficit in the corresponding period of the previous year was £720,386.

The following Table shows the position of the Floating Debt on the 31st December, for the last six years :—

	1890.	1891.	1892.	1893.	1894.	1895.
Floating Debt	£ 7,495,228	£ 4,857,449	£ 6,669,118	£ 5,228,839	£ 6,025,501	£ 5,537,403
Less Cash Balances* ..	553,313	408,044	428,180	603,425	852,212	792,428
Nett	6,941,915	4,449,405	5,640,938	4,565,414	5,173,289	5,744,975
Received from Loans or Sale of Bonds .. ..	..	7,245,457	1,008,861	1,777,777	387,811	112,381
Total .. ..	..	11,694,862	6,649,799	6,343,191	5,561,100	5,857,386
Less paid out for Ad- vances† .. ..	..	1,560,385	271,268	126,858	666,614	944,348
Revised total .. ..	..	10,134,477	5,378,531	6,216,333	4,894,486	4,913,008
Excess of total over nett Floating Debt of pre- vious year .. ..	..	4,752,947	2,200,391	702,253	993,686	684,067
Excess of Revised Total over nett Floating Debt of previous year .. ..	..	3,192,562	1,929,126	575,395	329,072	..
Decrease in ditto under nett Floating Debt of previous year .. ..	..	..	..	..	..	260,281

* The Cash Balances, although included in the Floating Debt statement, do not rightly come under the head of Debt. They are therefore here deducted.

† The amount paid out for advances to Railways, Banks, SS. Companies, and Municipalities, etc., being returnable, is also deducted, in order that the true position of the Floating Debt may be seen.

With regard to the past year the Minister thinks it important to note that, though the total shown above exceeds by £684,000 the nett Floating Debt of 1894, yet payments were made during the year which more than balance that amount, viz. :—

Payments to the Bank of Portugal to meet Debts in respect of pensions granted long since	£132,614
Payments to contractors and purveyors previous to 1895	248,777
Expenses on the Lorenzo Marques expedition	349,606
„ „ Indian expedition	14,123
Total	<u>£745,120</u>

Moreover, it should not be forgotten that the Coupons of the Municipal Loan of Lisbon now for the first time appear in the ordinary expenses of the year to the amount of £131,107, while the custody of the Brazilian refugees costs

£1,427. Thus it would appear that there was a small surplus and not a deficit on the work of the year.

SITUATION OF THE TREASURY AND THE MARKET.

A year has elapsed since the Contract entered into by the Treasury with the Bank of Portugal on the 9th February, 1895. The following Table shows the effect of the Contract upon the relations of the Government with that Institution, the only issuing Bank in the Country since 1887:—

On the 31st December	1890	1891	1892	1893	1894	1895
Current Account ..	£ 413,111	£ 1,250,666	£ 2,622,222	£ 2,837,333	£ 3,459,333	£ 3,581,111
Total Debt ..	2,302,888	5,236,000	7,576,666	7,970,888	8,568,444	8,686,444
Deposits of Junta ..	..	..	..	142,666	244,888	222,000
Fiduciary Circulation	1,912,222	7,724,444	11,159,333	11,611,555	11,806,888	12,426,888
Metallic Reserve:—						
Gold	579,555	83,555	404,444	597,555	889,777	1,058,222
Silver	402,666	520,444	1,060,000	1,240,000	1,374,666	1,498,888
Proportion of Metallic Reserve to Fiduciary Circulation ..	51.8 %	7.8 %	13.1 %	15.8 %	19.1 %	20.8 %
Nett Annual Profits ..	164,000	372,666	424,444	391,111	402,666	346,000
Dividend to Shareholders ..	5 %	6 %	7 %	7 %	8 %	8 %
Share of Treasury in Annual Profits ..	..	..	..	..	52,666	30,444

It will be observed that the amount of the Current Account has been kept well within the limit of £4,666,666 accorded to the Government free of interest, under the Contract of 9th February, 1895.

With regard to the Fiduciary Circulation, it increased very rapidly up to 1892, when the notes of the bank came to be almost the only currency of the country. Silver disappeared, and gold was purchased as a precious commodity. Fortunately the crisis passed, and the annual increase has been reduced to a more moderate amount. The Government, however, is not responsible for more than a small proportion of that increase. This is shown by the difference during

the last year in the growth of the Debt to the Bank and that of the Fiduciary Circulation, the excess, £502,000, being required for commercial purposes by the general public. Here again the amount issued has been kept below the authorised amount of £14,000,000. On the other hand the Cash Reserve has, since the crisis, steadily increased. The Bank does not appear to have suffered loss through its Concessions to the Government, since it has been able to distribute no less than 8 per cent. in Dividends, while the Government has benefited, in addition to the amount shown in the Table, by some £18,000 reduction in interest on the Floating Debt, besides about £62,000 which it would have had to pay for interest on Current Account. Altogether the gain to the Government may be reckoned at something approaching £111,000. As regards the rate of exchange on London, this is far from normal. Up to October, 1890, it had remained at about 53.* By the end of that year it had gone down to 52½, and in 1891 there was a further fall to 41, reaching 38½ in March, 1892. Since then the rate has somewhat improved, and it is now about 41½.

From 1885 to 1890 more gold was brought into the country than was sent abroad, the average for the six years being about 7½ millions of pounds. In 1891, however, the position was suddenly reversed, and the gold exported exceeded that brought in by no less than £5,775,000. The export of gold has considerably diminished, but has not yet entirely ceased.

With silver, on the contrary, there has been a balance of imports in every year, except 1894, when the exports slightly exceeded the imports.

* 53½d. per milreis is the par rate.

Again, commercial returns show a closer approximation of merchandise imported and exported. The complete figures for 1895 are not yet available, but the published returns for the first half-year compare with those for the same period of 1894 as follows :—

First Six Months of				Exports.	Imports.	Excess of Imports.
				£	£	£
1894	...	...	...	4,078,888	5,910,666	1,831,777
1895	...	...	...	4,154,666	5,699,555	1,544,888
Difference ...				+ 75,777	— 211,111	— 286,888

In round figures, therefore, Exports increased by £75,000, whilst Imports decreased £200,000, reducing the adverse balance of Trade by nearly £300,000 in the half-year.

Imports for Consumption, it is true, increased
 from £4,349,223 in 1895
 to £4,370,781 in 1896
 or an increase of £21,558

Exports of national produce, however, grew
 from £2,507,603 in 1895
 to £2,826,104 in 1896
 which gives the large increase of... £318,501

Shipping returns also showed a slight improvement, the first half of 1895 giving the following result, viz. :—

Entered 2,539 steamers of 3,460,422 tonnage,
 Cleared 2,519 „ „ 3,425,149 „

being an advance over the recorded movement of the last two years.

From the reasons and figures of which a summary is given above, the Minister argued that Portugal was recovering from the crisis—financial rather than economical—through which it has been passing. Much had been done, he said, by revision of taxes, by economy in the Budget, and by the settlement one by one of sundry questions—which, having an international character, affected the State administration,—to re-establish the credit of the country. But this was not all. Portugal, like all nations must comply with the increasing demands of civilisation. The Colonies were large and important, and must be protected, and the Navy, which had been neglected, must be put on a sound footing.

The Railway to Pretoria opened a trade centre at Lorenzo Marques, but this necessitated works in that magnificent bay which should not be allowed to fall into the hands of aliens. To meet expenses of this nature it was absolutely necessary to promote and ensure increased receipts—

to substitute for the *concordat* which we made respecting the old regimen of the Debt, a definitive and regular system, by the conversion of the State Bonds, as a frank and resolute entry into a new phase of financial rehabilitation ; to invigorate the elements of home productiveness by means of an adequate revision of the Customs tariff, without prejudice, however, to international treaties which may foster agriculture and commerce ; and as far as possible to examine the conditions of existence of the working classes, who, unfortunately, are lacking in protection and guarantees—in which, moreover, public order is concerned—and the teaching of technical industry and individual economy.

The Minister then proceeded to consider *seriatim* the different sources of Revenue in order to ascertain how to find funds to carry out his programme.

He gave some interesting details, which may be summarised briefly as follows :—

The Land Tax, with a continually rising assessment, has been hitherto stationary. It is proposed to put the Law of 1880, hitherto in abeyance, in force. This would bring the amount up to £714,000 instead of £690,400 as heretofore. With the additional charges the yield should be £797,600.

The Industrial Tax established in 1893, considering its nature, has provoked very few complaints. It yielded in that year £347,261, and in 1894 rose to £484,162.

The Sumptuary Tax, levied on servants, carriages, and armorial bearings, yielded in 1894-5 only £21,352. There does not appear much likelihood of increasing this, but it is proposed to remodel the House Tax with a view of obtaining a larger yield. The gross amount collected in 1894-5 was £134,650, and the estimate for the coming year is fixed at that sum.

The Stamp Tax shows a good deal of elasticity, having advanced from £392,163 in 1892-3 to £490,150 in the following year, and £543,203 in 1894-5. The half-year ending the 31st December, 1895, gave £271,873, which is considerably above the corresponding period of the previous year. The increase is probably due to greater vigilance in collection. Some modifications are proposed which it is hoped will still further improve the return.

A small amount is derived from Lotteries, but as this is a source of Revenue which depends on gambling, it is not thought right to exploit it to any great extent. Moreover, the proceeds mostly go to support benevolent institutions and charities.

The Registration (of Properties) Tax shows a consider-

able improvement, the total yield for 1895 having been £526,636, or upwards of £92,000 more than the previous year.

Among the Indirect Taxes the duty on Spirits holds a prominent place, having yielded £229,468 in 1894-5, and the half-year ending the 31st December, 1895, giving £189,372. It is difficult to draw any conclusion from the returns, the duty having been recently raised.

It is proposed to put an *ad valorem* duty on the manufacture and consumption of sugar and oleaginous matters, out of which the Minister hopes to obtain £100,000 or more.

The Tax known as "Real de Agua," which is a duty on meat, rice, liquors, oil for alimentary purposes, etc., has shown a falling-off of late years. Proposals are made to simplify the mode of collecting this Tax, which is at present rather complicated.

The yield for 1891-2 was	...	...	...	...	£247,692
" " 1892-3 "	...	...	...	...	252,140
" " 1893-4 "	...	...	...	...	223,569
" " 1894-5 "	...	...	...	...	212,306
" " Half-year ending 31st December, 1895...					116,485

CUSTOMS.

The following Table exhibits the progress made by the Customs since 1891-2.

Years.	General Receipts.	Provisions.	Tobacco.	Cereals.	Totals.
	£	£	£	£	£
1891-2, 1st half	1,426,890	213,410	1,332	108,194	1,749,826
" 2nd "	1,275,009	231,550	2,143	16,109	1,524,811
1892-3, 1st "	1,206,201	218,548	2,443	147,827	1,575,019
" 2nd "	1,421,162	227,692	3,092	215,719	1,867,665
1893-4, 1st "	1,485,798	205,948	2,576	242,932	1,937,254
" 2nd "	1,440,072	209,007	2,806	312,931	1,964,816
1894-5, 1st "	1,479,552	206,916	2,250	43,920	1,732,638
" 2nd "	1,517,413	215,185	2,532	334,399	2,069,529
1895-6, 1st "	1,674,882	219,764	2,752	288,862	2,186,260

The improvement still continues, the returns of the Custom Houses of Lisbon and Oporto for the first two months of 1896 showing an increase of £58,984 over those for the same period in 1895.

As in Portugal the Customs Law is regarded not only as a Revenue producer but as favouring certain native industries, a new tariff was framed in 1894. The session, however, closed without the adoption of this measure, which was drawn up on the report of a Commission appointed *ad hoc*. It is now revived with some modifications.

GENERAL CONVERSION OF THE PUBLIC DEBT.

The following remarks were made by the Minister as an introduction to his proposals for the conversion of the Public Debt :—

In order to appreciate the present position of the Treasury with regard to its creditors, and to precisely define the measures which, with regard to the Public Debt, it is most desirable to adopt in the interests of the country for the necessary regularisation of its credit, let us recall the events and the measures adopted.

On the 20th January, 1892, the then Government announced to the Cortes, as an article of its programme and as a means of public salvation, among the extreme measures which it declared necessary, that it would call upon the creditors of the State "to contribute to the restoration of the finances and the budgetary equilibrium."

It is not our intention to comment here on that declaration, which aroused, as was to be expected, bitter recriminations in the foreign bourses.

Then came the Law of the 26th February (1892). For the Internal Debt, in view of the readiness with which everyone made the sacrifices the country required, it was easy to legislate, and the dividends were therefore charged with an income tax of 30 per cent. With regard to the External Debt, the Government was simply authorised to negotiate an agreement for conversion, guaranteeing the payment of the dividend in gold, creating stock of a new type or converting the

existing Bonds by exchange of half the capital, or the acceptance of a payment of half the interest in Treasury Bills with or without interest, redeemable with or without premium by a special appropriation and as might be arranged. As a guarantee to Natives and Foreigners, the Government were authorised to assign such revenues as they might think necessary and preferable, restoring when and as expedient the old principle of endowment of the Debt.

The negotiations for a Convention, ungrateful and laborious as they were, having been brought to an end, were not confirmed by the then Government, and the Decree of the 13th June, 1892, was published, reducing the payment of interest on the External Debt to one-third pending a further decision of the Cortes.

The outcry on the part of the External Creditors and their Governments will be well remembered in consequence of the force and vigour with which it was sustained. The persistent and acrimonious basis of all these complaints was the circumstance that the Portuguese Government, by its own Act and without hearing or consulting those concerned, imposed on them an arbitrary and unjust measure, placing the national Creditors in much more advantageous conditions, viz., while the holders of Internal Debt received 70 per cent. of their dividends, holders of External Debt were given no more than 33½ per cent. of their Coupons, in gold it is true, but the premium on exchange, heavy though it might be, did not make up the difference.

The present Government, therefore, at heavy cost, obtained the acceptance, as an immediate means of conciliation, of the arrangement contained in the Law of the 20th May, 1893, giving the External Creditors one-third in gold and a half-share in the difference below 22 per cent. in the premium for the remittances of gold for the payment of the Coupons abroad, as well as in the excess over 11,400 contos of reis in the Customs receipts, tobacco and cereals excepted, until the complete equalisation of the treatment of Internal and External Creditors, when the amounts so derived were to revert to all the Creditors of the State alike, as justice, by which we ought to be guided, demands.

To the Law of 1893 the Government has given the strictest and most punctual fulfilment.

The Junta do Credito Publico has been reorganised as prescribed by that Law, and the whole service of the Debt entrusted to it, a special Deposit account being opened at the Bank of Portugal with

the amounts appropriated for the payment of the Coupons and expenses.

The External Creditors have also derived substantial benefits from their share of the excess of Customs receipts. Those receipts, which in 1891-2 only yielded £2,236,647 and in 1892-3 only £2,417,467, increased in the year following the promulgation of the Law and thenceforward as follows :—

	1893-4.	1894-5.	1895-6.
First half-year ...	£ 1,374,854	£ 1,363,694	£ 1,563,012
Second half-year ...	1,336,966	1,420,623	*
Totals ...	2,711,820	2,784,317	—

Thus the External Creditors received for 1893-4 a supplementary dividend of £89,243, and for 1894-5 one of £125,491. The first half-year of 1895-6 exhibits an increase over the previous year of £199,316 and if the second half-year gives a similar increase over the months from January to June, 1895, the supplementary dividend to be distributed may reach £266,978.* To the large increase in the national Revenue, especially the Customs Revenue, in which the External Debt is concerned; to the integral observance of the Law of 1893, and to the information that we have frankly and continuously given as to the exact financial economic situation of Portugal, is due chiefly the enhanced value of our securities on the foreign markets and the increased confidence in the vital powers of the country.

It is, however, undeniable that the enormous nominal amount of our Public Debt—absolutely out of proportion to the real amount obtained by the Treasury from the Loans issued; the circulation on home and foreign markets of Bonds nominally bearing interest paid only in part; the prolongation, consequently, of an abnormal state of things yet in a provisional stage; all this creates an unfavourable prejudice against the credit of the nation, and in order that the latter may be strengthened and assisted to regain its normal and natural condition

* [From more recent figures, furnished by the Junta do Credito Publico, it appears that the receipts for the second half-year amounted to £1,526,321. This gives a total for the year of £3,089,539, the amount available for supplementary dividend thus being increased to £278,103. See remarks under head of "Excess Customs Receipts," page 260.—ED.]

of development and progress, the financial position of the nation needs to be defined and the service of its Debt settled on a permanent basis. With this aim, so comprehensive and so justifiable, I have the honour to lay before you a Bill for the conversion of the whole Portuguese Public Debt included in the Laws of the 26th February, 1892, and of the 20th May, 1893.

The Internal Debt, consisting of titles of 3 per cent. and obligations of 4 and $4\frac{1}{2}$ per cent., is converted into new Bonds, all of the type of 4 per cent Bonds of £20, redeemable half-yearly in 75 years. The conversion is effected at par, deducting from the nominal amount of the outstanding Bonds the portion corresponding to the 30 per Cent. Income Tax imposed under the Law of the 26th February, always with the exceptions made in Article 7 of that Law in favour of religious establishments and the clergy. The holders of this Debt are not prejudiced but rather gain by the conversion; they will continue to receive from the Treasury, in respect of their Capital, precisely the same amount as they have received from 1892 to the present time; and if on the one hand they lose the chance of receiving, at some more or less remote future period, a share in the amelioration of the gold premium or in the surplus Customs receipts, when such amelioration or surplus shall exceed the amount necessary to produce an equality between the External and Internal Creditors, they acquire, on the other hand, and at once, two important advantages, viz.:—a sinking fund, not at present possessed by the Three per Cent. Bonds, and secondly, and not least, the enhanced value of their Stock on the market, which generally attaches to Redeemable Bonds when the service of interest is regular and complete.

The same conditions, precisely, are applied to the External Debt, the latter, however, not losing its specific character.

This means an immediate and absolute equality of all the Creditors of the State, always so much insisted upon as a principle of incontestable justice.

When the Decree of the 13th June, 1892, and subsequently the Law of 20th May, 1893, fixed periods during which the External Creditors had the option of exchanging their Stock for Internal Debt, thus obtaining the advantages as regards dividend which the latter securities possessed, the reason given for the abstention of the majority was that they did not wish to lose the facility of quotation and the special guarantees which they enjoyed as holders of *External Stock*.

The following was the result of these measures :—

	Nominal Amount.		Approximate Increase of the charge on the Treasury from the Exchange.
	Under Decree of 13th June, 1892.	Under Law of 20th May, 1893.	
3 % Bonds ...	£ 1,556,150	£ 3,721,190	£ 39,996
4 % Obligations.	140,280	508,400	6,919
4½ % „ ...	709,640	1,752,100	29,541
Totals ...	2,406,070	5,981,690	76,456

The proposal which I present, involves a change in the character of the Debt ; both continue as they are, Internal or External, unless those interested should prefer the exchange, in which the Treasury neither gains nor loses.

The Dividend is the same for all alike in national Currency ; the External Creditors have the option of receiving their Dividends in Portugal or abroad, being debited with the mean cost of remittances during the previous three months. The service of the entire Public Debt will continue to be performed by the *Junta do Credito Publico* as heretofore.

The advantages which the External Creditors will derive from Conversion on the terms proposed, are manifest. They now receive one-third of their Dividend in Gold, plus a share in the excess of Customs receipts. This share yielded them, in 1893-4 and 1894-5 the following percentages with respect to the Dividends on their respective Stock :—

	1893-4.				1894-5.			
	Reduced Dividend, Gold.	Percentage of Increase from excess of Customs.		Total Gold.	Reduced Dividend, Gold.	Percentage of Increase from excess of Customs.		Total Gold.
		Currency.	Gold at 30 th %			Currency.	Gold at 30 th %	
3 % Bonds ...	1 %	0.140 %	0.107 %	1.107 %	1 %	0.196 %	0.154 %	1.154 %
4 % „ ...	1½ %	0.188 %	0.141 %	1.474 %	1½ %	0.262 %	0.206 %	1.541 %
4½ % „ ...	1½ %	0.208 %	0.153 %	1.630 %	1½ %	0.266 %	0.222 %	1.732 %

Supposing, even, that the amount available in 1895-6 from the excess of Customs for supplementary Dividend should reach £266,978, the percentages would not exceed the following amounts :—

1895-6.	Reduced Dividend in Gold.	Nominal Capital.	Share in Excess Customs.	Percentages of Increase.		Total Gold.
				Currency.	Gold at 27 %	
3 % Bonds...	1 %	£ 39,567,485	£ 215,806	0.442 %	0.848 %	1.348 %
4 % „ ...	1 $\frac{1}{8}$ %	1,845,280	12,723	0.568 %	0.443 %	1.776 %
4 $\frac{1}{2}$ % „ ...	1 $\frac{1}{2}$ %	12,933,890	100,326	0.928 %	0.498 %	1.955 %

Under a conversion, carried out on the terms proposed, the External Creditors would receive 70 per cent. of their dividend, subject to the rate of exchange. Reckoning this at 27 per cent., the present mean rate, the differences in excess, on the percentages of the dividends payable in gold on the most favourable hypothesis, as above, for 1895-6, would be as follows :—

1895-6.	Dividend in Gold on the present Nominal Capital.		Differences in excess.
	Under Law of 1893.	After Conversion into 4 %.	
3 % Bonds ...	1.348 %	1.653 %	0.305 %
4 % „ ...	1.776 %	2.448 %	0.672 %
4 $\frac{1}{2}$ % „ ...	1.955 %	2.678 %	0.683 %

Thus Bonds of the same rate, 4 per cent., would give in identical circumstances, by the simple fact of conversion, more than half per cent. excess dividend. All the Bonds gain at once in annual dividend, and this gain will improve with the amelioration of the exchange. Those already possessing a Sinking Fund obtain, in new Bonds, compensation for the change of system ; the Consolidated Three per Cent. External, constituting the greater portion of our Stock held abroad, gains in interest and acquires a Sinking Fund, which it does not possess at present—an enormous advantage which greatly enhances its value. In exchange for securities of fluctuating dividend, subject to the contingencies of certain stated revenues, the holders receive Bonds, all redeemable, of one sole type, and these

having a constant and effective dividend, which brings them in a larger return, will therefore command a better price on the market.

Let us now consider the Conversion from the point of view of the State.

The first result derived by the State is the reduction of the nominal capital of the Public Debt.

The amount of this reduction is computed in the following Table:—

GENERAL STATEMENT, COMPARING THE OUTSTANDING CAPITAL OF THE FUNDED DEBT ACCORDING TO THE BUDGET OF 1896-7 (EXCLUDING ALL BONDS IN POSSESSION OF THE STATE AND THE TOBACCO LOAN) WITH THE AMOUNTS TO WHICH IT WOULD BE REDUCED UNDER THE TERMS OF THE PROPOSAL.

	Present Capital.			Capital to be created under Proposal.		
	Internal Debt.	External Debt.	Total.	Internal Debt.	External Debt.	Total.
	£	£	£	£	£	£
Consolidated 3% Rdmbl. 4½% ..	55,749,627	39,567,486	95,317,113	29,268,554	20,772,930	50,041,484
" 4% (1890) ..	4,820,650	12,933,890	17,754,540	3,796,262	10,185,438	13,981,700
" 4% (1888) ..	642,420	1,845,280	2,487,700	449,694	1,291,696	1,741,390
Capital to be issued to meet restitution of Income Tax ..	735,150	..	735,150	624,944	..	624,944
Capital to be issued to meet premium of Amortization and cost of exchange ..	..	..	..	1,657,111	..	1,657,111
Totals ..	61,947,947	54,346,656	116,294,603	(a) 123,689	(b) 958,916	1,082,605

Decrease of Capital £47,165,269.

(a) 4½% Internal	£17,635	(b) 4½% External	£142,788
4½% "	106,054	4½% "	816,128
	<u>£123,689</u>		<u>£958,916</u>

NOTES.

All the new Capital has been reckoned on the basis of the reduction of the existing Bonds to a 4 per cent. Stock with a reduction of 30 per cent. on the dividends.

In order to make good the premiums of the 1888 Loan 15 per cent. has been added to the Capital of the new Stock to be given in exchange.

The situation of the other redeemable Loans is at present as follows:—

The Internal Redeemable receives 70 per cent. of the dividend, with redemption at par; the External receives one-third of the dividend, with redemption at par in gold.

This redemption is equivalent to a premium of 27 per cent. for the Internal and 76 per cent. for the External Debt, with the exchange premium for gold at 27 per cent. Seeing that half the 4 per cent. Stock will be extinguished in sixty-one years, and half the 4½ per cent. in

fifty-nine years, according to the respective tables of amortisation, what is the present value of the premium of redemption?

By the Table we find:—

For each Four per Cent. Internal Bond $\text{rrs. } 9\frac{1}{2}\text{d.} = 2^{74}\frac{1}{2}\text{ per cent. of Capital.}$

" " Four and-a-Half per Cent. Internal Bond $8\text{s. } 11\text{d.} = 2^{\text{nd}} \text{ per cent. of Capital.}$

For each Four per Cent. External Bond $\text{£}1. 10\text{s. } 11\frac{1}{2}\text{d.} = 7^{73}\frac{1}{2}\text{ per cent. of Capital.}$

For each Four and a-Half per Cent. Internal Bond $\text{£}1. 5\text{s. } 2\frac{1}{2}\text{d.} = 6^{\text{th}} \text{ per cent. of Capital.}$

On these conditions the conversion is effected as follows:—

The Four per Cent. Bonds of 1888 are exchanged for new Bonds at 85 per cent. of the existing Capital;

The Four per Cent. Internal Bonds of 1890 are exchanged for new Bonds at $72^{74}\frac{1}{2}$ per cent. of the existing Capital;

The Four per Cent. External Bonds are exchanged for new Bonds at $77^{73}\frac{1}{2}$ per cent. of the existing Capital;

The Four and a-Half per Cent. Internal Bonds are exchanged for new Bonds at 80^{66} per cent. of the existing Capital;

The Four and a-Half per Cent. External Bonds are exchanged for new Bonds at 85^{66} per cent. of the existing Capital;

The Three per Cent. Stock is exchanged for new Bonds at 52nd per cent. of the existing Capital.

The Bonds belonging to establishments entitled to remission of Income Tax are exchanged as follows:—

The Four per Cent. of 1890 at par;

The Four and a-Half per Cent. at the rate of $112^{\frac{1}{2}}$ per cent.;

The Three per Cent. at the rate of 75 per cent.

The foregoing Tables of Capital and Interest before and after the Conversion are reckoned on the above basis.

The reduction thus effected of the nominal amount of the Public Debt is of incontestable advantage to the credit of the country. And this is very just. The Public Debt figures on the list of national liabilities at a very exaggerated amount, enormously out of proportion to the amount which we received. I showed this, with irrefutable evidence, in my Report published in June, 1894. From 1869 to the present day, during a period of twenty-seven years, we effected seven issues of Consolidated Debt, embracing in the aggregate a nominal value of $\text{£}40,636,538$, from which the Treasury hardly realised $\text{£}18,787,379$ —considerably less than half—and the amount realised by previous loans was no greater.

We contracted during the same period a Debt of $\text{£}31,340,340$ in redeemable Bonds; the Treasury received $\text{£}25,514,813$ only. That the nominal value of the Three per Cent. Consolidated should be reduced from $\text{£}95,317,113$ to $\text{£}50,041,484$ (when the truth is that the disbursements of the holders in exchange for these Bonds did not amount to the half of that sum, and that they have no sinking fund, this Debt being a perpetual debt, and therefore not redeemable); and that the nominal amount of the redeemable Debt should be reduced from $\text{£}20,977,390$ to $\text{£}19,087,750$ (when the respective issue prices ranged from $\text{£}14. 16\text{s.}$ to $\text{£}19. 10\text{s.}$ per $\text{£}20$ Bond, interest much superior to the normal market rate being paid on these Bonds year after year), is far from being an act of bankruptcy, as shown in general terms by a true statement of the facts, and if the exaggeration of

the nominal value of the Debt, particularly with regard to a small nation, is a constant cause of depreciation of its Bonds, not only the State but also the creditors gain by the reduction of the Capital to its real amount, especially if this does not decrease, but on the contrary, increases the effective return.

It is evident that, by the Conversion which I propose, the annual charge on the Treasury is increased by the amount of the benefits conferred on its creditors.

The comparison of the present liability with that under the Proposal is shown below :—

INTERNAL DEBT.

Liabilities under Proposal:

Sinking Fund for redemption of Capital at 4 per cent. in 150 Half-years, reckoning the old Capital at this rate with discount of 30 per cent.	£
Ditto, ditto, Capital necessary to compensate for Income Tax*	1,439,394
Ditto, ditto, Capital to compensate for Premiums of Amortisation	69,867
	<u>5,215</u>
Total under Proposal ...	£1,514,476
Liabilities in Estimates for 1896-7, including £66,666 to compensate for Income Tax ...	1,450,467
Excess under Proposal ...	<u>£64,009</u>

EXTERNAL DEBT.

Liabilities under Proposal:

Sinking Fund for redemption of Capital at 4 per cent. in 150 Half-years, reckoning the old Capital at this rate with discount of 30 per cent.	£
Annual Liability on Capital to be created at the same rate, to compensate for Premiums of Amortisation, Gold†	1,359,733
	<u>40,430</u>
Total under Proposal ...	£1,400,163
Liabilities in Estimates for 1896-7, including Premium for Gold and compensation for Customs Receipts	1,065,557
Excess under Proposal ...	<u>£334,606</u>

* Allowed to charitable and other institutions exempt by law from Income Tax.

† On the Redeemable Debt.

TABLE SHOWING THE ANNUAL CHARGES OF THE OUTSTANDING CONSOLIDATED AND REDEEMABLE DEBT ACCORDING TO THE ESTIMATES FOR 1896-7 (EXCLUSIVE OF BONDS IN POSSESSION OF THE STATE AND THE TOBACCO LOAN), COMPARING THEM WITH THE ANNUAL CHARGES UNDER THE PROPOSED CONVERSION :—

	INTERNAL DEBT.			EXTERNAL DEBT.					Total Charges.	Annual amount required to extinguish the Debt in 150 Half-years.
	Nett Dividend(a).	Sinking Fund.	Total.	Nett Div. (b).	Sinking Fund.	Customs Receipts (c).	Premium on Gold (c).	Total.		
Consolidated 3% ...	£ 1,170,742	£ ...	£ 1,170,742	£ 417,321	£ ...	£ 139,560	£ ...	£ 669,558	£ 1,840,300	£ ...
Redeemable 4½ %	151,850	11,600	163,450	194,008	30,400	64,917	112,677	669,558	579,238	2,799,128
" 4%, 1890	17,988	1,800	19,788	24,604	5,200	8,234	68,637	396,000	29,820	69,867
" 4%, 1888	20,584	9,236	29,820	...	...	...	...	...	...	...
Return of Income	...	...	66,667	...	...	...	...	...	...	...
Tax ... ..	...	...	...	...	...	...	...	...	...	...
Annual charge on Capital to be created to compensate for the premium on redemption and the gold premium, viz. :—	...	...	...	...	...	...	...	...	...	...
Int. Debt £5,215 }	...	...	...	...	...	...	...	...	...	...
Ext. " £40,430 }	...	...	...	...	...	...	...	...	...	...
£	1,361,164	22,636	1,450,467	635,933	35,600	212,711	181,314	1,065,558	2,516,025	2,914,640

(a) Reduced to 70 %. (b) Reduced by two-thirds. (c) Included in Estimates for 1896-7. Difference... £398,615

The increase of the annual liability under the Conversion, calculated on the Estimates of the coming year, 1896-7, is £398,615. It is however, to be remembered that this calculation is subject to revision, on account of the increase in the Customs Receipts, the excess of which over 11,400 contos is assigned for the service of the External Debt. In those Estimates the share of the External Creditors in that excess is reckoned at £212,711, in obedience to the principles of public finance upon which the Estimates are framed. But, as we have seen, in the current year of 1895-96, from the results of the first two months and what may reasonably be looked for from the rest of the year, it is possible that the share of the External Creditors may reach £266,978, in which case the increase in the annual charge, owing to the Conversion, will not be more than £344,382.

In any case, I am convinced that the sacrifice thus imposed on the Treasury is well counterbalanced by the advantages which the country must derive from the Conversion. With this the position of the Public Debt will be completely set in order, and this implies our definitive financial rehabilitation. The Conversion once effected, there will be no more Bonds in default; there will be one sole type of Stock, with a fixed dividend, payable in full, which will adapt itself to the circumstances of the market, and will free the State from the effects of fluctuations of exchange. The uncertainty of a system of sharing surplus Customs Receipts and future ameliorations of the gold premium will cease, and all disputes between the Treasury and its creditors will be set at rest. This requires an effort at the present moment, and not a small one, but by liquidating the past we redeem the future. This is the aim of the proposal which I am making to you, and, in view of the great importance of the subject, you will, I am sure, give it your earnest consideration.

COMPLEMENTARY ISSUE OF TOBACCO OBLIGATIONS.

In the Contract for the Tobacco Loan, entered into on the 26th February, 1891, and afterwards ratified by the Cortes, power was taken to increase the amount of the Loan from 36,000 contos = £8,000,000 to 45,000 contos = £10,000,000 nominal, subject to agreement with the Company. In the following October the Bank of Portugal was authorised to increase its fiduciary circulation to £7,000,000, and the Government undertook to guarantee its excess debt

to the Bank, with an issue of £2,000,000 nominal, which it was authorised to raise as above mentioned. Subsequently, in December of the same year, upon reorganising the Bank, the Government recognised an excess debt of £1,555,555, and pledged a further sum of £2,000,000 Obligations as security. These Bonds were not to be issued without previous agreement with the Bank and the contractors of the first Loan, the former, however, receiving the annual interest, amounting to £142,523.

Due notice was given to the Tobacco Company of these operations, no objection being made, but, in order to set any doubts at rest, it is proposed that the Cortes should now authorise the issue of those Bonds.

The additional charge on the Treasury will be well within the annual payment made by the Tobacco Company, now £988,888, and to be increased to £1,000,000 from April 1st, 1897, the service of Interest and Sinking Fund being £570,148, and the cost of exchange, etc., £168,435, together making a total of £738,583, which leaves a substantial margin.

Considering that the Bonds of the Tobacco Loan are privileged as to security and service, and that they, therefore, form the best security the Government has to offer, the Minister thinks that the Treasury should be in a position to negotiate them to the greatest possible advantage.

The proceeds of this issue he proposes to devote to the Navy, which, he says, is necessary to preserve the integrity of the kingdom.

The following is a translation of the proposed Law :—

ARTICLE 1. The Government is authorised to contract and place, as it may think most convenient for the interests of the Treasury, in one or more series, the 4½ per cent. Obligations necessary to realise

a sum of 9,000 contos of reis in gold (£2,000,000), which was not raised in the terms of the letter of the Law of 23rd March, 1891, assigning to those new Obligations the disposable balance of the Tobacco Revenues, so that they may possess the same State guarantees as the Obligations already issued in virtue of that Law.

§ The Government shall render account to the Cortes of the use made of this authorisation.

ARTICLE 2. The whole proceeds of the Loan thus realised shall be paid to the order of the Junta do Credito Publico, forming a special fund, exclusively applicable to the payments to be made, in the terms of the authorisations specially voted by the Cortes, for the reconstruction of our War Marine.

ARTICLE 3. All legislation to the contrary is revoked.

The Budget also includes sundry administrative measures, with proposals for the establishment of a national Mont de Piété and for the reorganisation of the General Treasury of Deposits and Provident Institutions.

The Minister concludes with a brief *résumé* of the measures taken to increase the Revenue of the country since the 26th February, 1892. In that year the reduction of the dividend on the Public Debt gave £144,000; increased Taxes on Capital, £30,000; increases of Direct Taxes, £68,000. Altogether the available Revenue was raised by £264,000. The Decree of the 15th December, 1894, remodelling the Industrial Tax, increased the yield of the latter by £126,000. The Decree of the 10th January, 1895, produced from the Registration Tax upwards of £91,000. The Contract with the Bank of Portugal in the following February gave at once nearly £53,000, and afterwards £80,000. The Decree of the 9th March yielded £22,000 to the State, while it revived the declining Match industry. The total increase during this period was thus about £372,000.

The increases which the present proposals are expected to yield are computed at not less than £222,000.

SANTO DOMINGO.

Four per Cent. Consolidated Gold Loan, 1894—

Amount authorised for Conversion of External Debt
of 1888 and 1890 £1,610,000¹

Amount authorised for construction of Dominican
Central Railway 425,000

£2,035,000

Less amount redeemed 15,700

Outstanding 2,019,300

French American Reclamation Consols, 1895... 850,000

£2,869,300

Santo Domingo Committee.

Rt. Hon. Sir John Lubbock,
Bart., M.P., *Chairman*.

Gen. Sir Luther Vaughan, K.C.B.,
Deputy-Chairman.

E. F. Coates, Esq.

Hon. Sir C. W. Fremantle, K.C.B.

W. Johnson, Esq.

Robert Monckton, Esq.

J. G. Peckham, Esq.

Chas. Penruddocke, Esq., J.P.

A. W. Ray, Esq.

W. Richardson, Esq.

J. E. Wadsworth, Esq.

T. Wood, Esq.

Secretary.

James P. Cooper, Esq.

Area 18,045 square miles.

Population (1888) estimated at 610,000.

Capital, Santo Domingo. Population (1892) ... 14,150.

¹ Amount issued to date £1,595,660.

External Debt per head £4. 14s.

President... .. General Ulisses Heureaux.

Vice-Consul of Great Britain in

Santo Domingo at Puerto

Plata Alfred H. Lister, Esq.

Consul-General of Santo

Domingo in Great Britain... Don Miguel Ventura.

Financial Agent in Europe

(Paris)... .. Monsieur I. Mendel.

HISTORY OF THE DEBT (FOREIGN).

1869.—Six per Cent. Loan for £757,700. The Government of Santo Domingo entered into a contract with Mr. E. H. Hartmont, by which the latter agreed to provide a sum of £420,000 for the construction of roads and railways, of which £100,000 was to be retained by him as compensation, the nominal amount of the Loan to be fixed by the contractor. The Government on their part undertook to pay for the service of the interest and Sinking Fund, an annuity of £58,900 in half-yearly instalments for twenty-five years, or a total of £1,472,500. Messrs. Peter Lawson & Co., acting for Mr. Hartmont, accordingly issued in London £757,700 in Bonds secured upon a first charge on the Customs Duties of the Ports of Santo Domingo and Puerto Plata, the Guano royalties, and the Revenues arising from the Forests and Mines of the Province of Samana. The Bonds were redeemable in twenty-five years by a $1\frac{1}{4}$ per cent. accumulative Sinking Fund. The issue price was 70 per cent., but at this price the Loan received little support from the public, and was subsequently disposed of, at rates ranging from 55 to 50 per cent., to Messrs. Bischoffsheim & Goldschmidt and others, by whom they were later disposed of to the public. The Government only acknowledges receipt of £38,000. Mr. Hartmont, however, asserted that he tendered personally to the Government £211,110, but that it was not accepted owing to negotiations for annexation in progress at that time with

the United States. Interest on this Loan was paid for three years, but it was stated that these payments were made by the Contractor and not by the Government.

1872.—Default took place, and the Loan became in 1875 the subject of a Parliamentary enquiry.

1888.—Six per Cent. Loan for £770,000, for the Conversion of the 1869 Loan, for which £142,860 was reserved, and the consolidation of the Internal Debt, which required £151,660. The balance of £475,480 was offered for public subscription at 83½ per cent. by the Capital and Counties Bank and by agencies on the Continent. The Bonds were secured by a first charge on the entire Revenues of the Republic, including a special charge on the Customs Revenue, and were redeemable in thirty years by half-yearly Drawings. The terms for the Conversion of the 1869 Loan were £20 of the New Stock in exchange for £100 of the Old. Bonds to the nominal amount of £591,900 were exchanged by the Capital & Counties Bank. Bonds which had been drawn for redemption, but which had remained unpaid, as well as Bonds from which Coupons were missing, were excluded from the Conversion. The Council, at the time, addressed a remonstrance to the Government on this point, but without effect. Recently they have reopened the subject, and negotiations for a settlement of the question are now proceeding.

1890.—Six per Cent. Central Dominican Railway Loan. Authorised Issue, £900,000. Of this amount £575,000 Bonds were offered for subscription on the Continent in November, 1890. Few Bonds, if any, are held in England. The issue price was 77 per cent. The objects of the Loan were to develop the internal resources of the country, to form a Reserve Fund, to extinguish the Internal Floating Debt, and to build a railway from Puerto Plata to Santiago. The Loan was guaranteed generally by the Government, and specially by (1) an annual subvention of £24,000 during fifty-six years; (2) the receipts on the first section of the line, and a mortgage on the second section and rolling stock.

1892.—Default took place on the External Loans of 1888 and 1890.

1893.—A new Four per Cent. Consolidated Gold Debt for £2,035,000 was created, to be applied to the Conversion of the Six per Cent. Loans of 1888 and 1890 (the outstanding amounts being £731,000 and £571,000 respectively), with arrears of interest amounting to 12 per cent., the whole to be converted at par. This, with expenses, absorbed £1,610,000 of the New Stock, and the balance, viz., £425,000, was to be applied to completing the construction of the first section of the Central Dominican Railway. The New Bonds are redeemable in sixty-six years, with an accumulative Sinking Fund of $\frac{1}{2}$ per cent. per annum, and the Loan is guaranteed by the whole of the Customs Duties of the Republic now and hereafter (less \$93,000 per month to be retained by the Government for Administrative expenses), and by a first mortgage on the line and its Revenues and accessories. The collection of the Customs Dues is vested in a Régie, controlled by the Santo Domingo Improvement Company of New York. By the terms of the arrangement it is provided that should any suspension take place in the service of the Loan, a Financial Commission composed of representatives nominated by the Governments of Great Britain, the United States, France, Belgium, and Holland, is to be appointed forthwith to collect and distribute the above-mentioned Dues.

1895.—Four per Cent. Loan denominated "French American Reclamation Consols." Authorised Issue \$4,250,000 (£850,000). Of this amount \$1,000,000 (£200,000) was publicly issued in Paris by the Banque Nationale de St. Domingue at 302 francs per 515 franc Bond=58⁶⁴ per cent. These Bonds are redeemable at par in 66 years by means of a sinking fund of $\frac{1}{2}$ per cent. The service besides being a first charge on the Budget, is secured on certain port dues, and by a special charge of 7 per cent. on the import duties of the Republic, and also on the new fixed duties on the import of coal, cement, galvanized iron, bags and boards, as well as any Revenues now pledged for any debt of the Republic which may be discharged by these Bonds or their proceeds. Any deficiency is to be made up by the Government out of General Revenue, and is payable direct by the Régie. As in the case of the 1893 Loan, in the event of a default, an International Commission is to be appointed to collect and distribute the above-mentioned Revenues.

REPORT.

BONDS OF 1869 EXCLUDED FROM THE CONVERSION OF
1888.

It will be remembered that a considerable amount of 1869 Bonds were excluded from the Conversion of 1888 on the following grounds :—

- (1.) That they have been drawn for repayment (although no funds had been provided for this purpose by the Government).
- (2.) That a Coupon or Coupons were missing on the Bonds (in respect of which the Government refused to accept the usual fine).

The Council protested against the conduct of the Dominican Government in excluding Bondholders on such grounds. The Government, however, persisted in its refusal to admit them, and in consequence, any attempt to obtain a quotation for Santo Domingo Bonds on the London Stock Exchange will be opposed by the Council as long as the claims of the Bondholders in question remain unrecognised.

As the result of the representations made by the Council to the San Domingo Improvement Company of New York, in whose hands, under the arrangement of 1893, have been placed the collection of the Customs and the service of the External Debt, there appears to be a good ground for hoping that an arrangement may be shortly arrived at by which the claims of the excluded Bondholders will be recognised on equitable terms.

In January last the Council sent out circulars requesting holders of Bonds of the Loan of 1869 who had been excluded from the Conversion for the reasons above stated, or owing to their not having presented them before the

Conversion was closed, to send in their Bonds to the Council-house, stating the reasons why they had been shut out. A considerable amount of Old Securities has been lodged, but as there must be many still outstanding, the Council take this opportunity of notifying those who have not done so that it is advisable for them to deposit their holdings without further delay.

CONVERSION OF 1893.

The Council are informed that there are still upwards of £12,000 of the Old Bonds of 1888 and 1890 outstanding, Bondholders are reminded that this Conversion is still open, and that Bonds should be sent in at once. This operation is now effected in Paris, instead of Brussels, and the Council undertake to forward the Old Bonds for conversion at a small charge.

CUSTOMS REVENUE.

The Council are indebted to the San Domingo Improvement Company for the following information, which has been courteously furnished at their request, and which otherwise would be unobtainable.

CUSTOMS RECEIPTS FOR 1895.

						\$ Gold.
January	..	...	...	...	...	118,906 ⁴⁴
February	..	...	...	...	...	109,872 ³²
March	...	...	...	...	...	124,831 ⁸⁷
April	...	...	...	...	...	104,418 ⁸¹
May	...	...	...	...	...	114,929 ⁹¹
June	...	...	...	...	...	126,896 ⁵⁰
July	...	...	...	...	...	101,956 ⁸¹
August	...	...	...	...	...	81,803 ⁶⁹
September	...	...	...	...	...	94,253 ¹⁹
October	...	...	...	...	...	122,088 ⁶⁹
November	...	...	...	...	...	84,278 ³²
December	...	...	...	...	...	84,939 ³⁸
Total	...	...	...	...	...	<u>1,269,175¹⁴</u>

This total does not include the following additional items :—

			\$ Gold.
3½ per cent. on Imports produced in 1895 ...	...		44,206 ²⁸
Stamps, (Revenue and Postage),,, ,, ...	...		51,072 ²⁸
Total ... ..	...		<u>95,278²⁸</u>

CUSTOMS RECEIPTS FOR THE YEARS 1892 TO 1895.

Years.	Imports.	Exports.	Totals.
	\$ Gold.	\$ Gold.	\$ Gold.
1892	492,686	159,864	652,550
1893*	867,927	201,012	1,068,939
1894	1,155,843	181,380	1,337,223
1895	(Exclusive of 3½% on Imports as above.)		1,269,175

* The "San Domingo Improvement Company" took over the collections in March, 1893.

The results of 1895 fell a little below those of the previous year, November and December having given respectively:—

\$84,278 and \$84,939, against
\$131,092 and \$107,901

for the corresponding months in 1894. This falling-off is, however, considered to be only temporary, as the first six months of the present year have yielded \$759,700, against \$699,700 during the corresponding period of 1895. The Company anticipate that the collections for 1896 will exceed \$1,500,000 gold.

A temporary additional surcharge of 6 per cent. is now levied on the Customs Revenues of the Republic in discharge of certain obligations contracted by the Government for public works.

The following information as to the actual receipts in

1895 from the Customs Revenue forming the security for the French American Reclamation Consols, has also been supplied by the San Domingo Improvement Company. The issue has since been increased and new securities have been added.

					\$ Gold.
Port or Tonnage Duties	..	...	...	...	45,836 ⁸⁸
Derechos Fijos (seven months)	...	...	...	...	16,777 ⁸⁹
Banque Nationale (3½ per Cent. Duties)	...	...	...	...	44,206 ²⁸
Stamps (affixed)	...	...	...	...	51,072 ⁸⁸
Apartado (1½ per cent. on Import Dues)	...	...	...	...	25,226 ⁸⁵
Total	...	...	...	...	<u>183,120⁴⁶</u>

It is estimated that the returns of the Derechos Fijos for the other five months would have been \$15,000 additional. For the first four months of 1896 the Revenue from this source is stated to have amounted to \$17,254.

A new surcharge of 2 per cent. on Import Dues was also added at the end of 1895. This, according to the estimate of the Improvement Company, would have amounted in that year to \$20,000 more, making a total of \$218,120.

The annual charge for Interest and Sinking Fund on the total amount of Reclamation Consols authorised (viz. \$4,250,000) is \$191,250. In case of any deficiency in the special securities assigned the Government has to make up the sum required from the Budget of \$720,000 gold, the Régie being directed by law to pay over the amount.

For the first six months of 1896 the special Revenues assigned to the Reclamation Consols are expected to produce \$125,000 gold, so that there would be a surplus on the half-year of nearly \$30,000.

REVENUE RETURNS 1895.

ESTIMATED AS REGARDS THE LAST THREE MONTHS. *

							\$ Gold.
Import Duties	...	...	...	...	...	...	953,000
Export „	...	...	...	...	...	...	174,500
One moiety of Port Dues	...	...	...	...	...	...	44,500
Various	...	...	...	...	...	...	50,000
Entering Dues	...	...	...	...	...	...	51,500
Banque Nationale de St. Dominique						{ Customs...	45,000
						{ Stamps	
						{ Stamped Paper }	40,000
War ...	...	...	...	...	...	...	32,500
Surcharge Stamps	...	...	...	...	...	...	25,000
Probable increase on certain of above	...	...	...	...	...	...	37,500
							<u>\$1,453,500</u>

The Revenues appear, one year with another, to have increased by about 10 per cent. per annum, as is shown by the following figures :—

							\$ Gold
1892	...	...	...	...	...	...	652,500
1893	...	...	...	...	...	...	1,100,000
1894	...	...	...	...	...	...	1,378,000
1895 (approximate)	...	...	...	...	...	...	1,453,500

EXPENDITURE RETURNS 1895.

						\$ Gold.	\$ Gold.
Expenses of Régie	...	...	...	...	...	30,000	750,000
Budget	...	...	...	...	...	720,000	
Service of French American Reclamation Bonds, Interest and Sinking Fund $4\frac{1}{2}$ per cent. on \$4,250,000							
say	...	...	...	...	...		191,250
Service of the 4 per cent. Consolidated Loan of 1893							410,000
							<u>\$1,351,250</u>

RECAPITULATION.

Receipts 1895	...	...	...	...	...	\$1,453,500
Expenses	...	...	...	...	...	1,351,250
Surplus						<u>102,250</u>

With regard to the above figures it should be noted that as the whole of the Reclamation Consols and 1893 Bonds

* These figures were not quite realised.

had not been issued in 1895 the service on these two Loans in that year was actually less by about \$76,000, making the surplus about \$178,000 instead of \$102,250.

This surplus remains at the disposal of the Government, and is not an unsatisfactory result when the total amount of the Budget is taken into consideration.

The following Table gives the legal value of Imports and Exports during 1895, between the Ports of the Republic and the United States. No statistics as regards Dominican trade with other countries are available. The Exports to the United States are believed to be about 60 per cent. and the Imports from that country about 33 per cent. of the whole.

Ports.	Imported from U.S.A.	Exported to U.S.A.
	\$ Gold.	\$ Gold.
Santo Domingo	326,596 ¹⁷	689,457 ⁸⁵
Macoris	183,624 ⁰¹	1,273,764 ⁰⁴
Azua	82,150 ⁰⁴	172,459 ²⁷
Sanchez	102,633 ⁹⁷	18,672 ²⁰
Samana	13,782 ²⁹	7,581 ⁰⁰
Puerto Plata	169,135 ²²	18,000 ⁰⁰
Monte Cristi	65,090 ⁴⁰	59,680 ⁶⁵
Total	943,012 ¹⁰	2,239,615 ⁰¹

AGRICULTURE.

The soil of Santo Domingo is said to be very fertile. Much tobacco of a good quality is grown, and coffee as well as cacao is cultivated to an increasing extent. Bananas are also much grown, and during last year specially chartered steamers made weekly trips to New York and Boston, for the Banana trade alone. Sugar,

however, is the chief industry of the country. This is of excellent quality, and at the Exhibition of Philadelphia obtained precedence over all sugars grown in the Antilles. Eight hundred thousand quintals were exported in 1894 and it is expected that this figure will be considerably exceeded in the present year.

Besides the products of the soil, Santo Domingo possesses considerable mineral wealth, there being deposits of gold, silver, copper, and iron.

FINANCIAL SYSTEM.

The financial system is extremely simple, the Revenue being chiefly derived from Customs duties on Imports and Exports. Land and other direct taxes are unknown. The fiscal organisation is twofold, *i.e.*, there are the Government officers, and the functionaries of the Régie. The latter, who act under the instructions of the "San Domingo Improvement Company of New York," are the sole collectors and distributors of dues, while the functions of the former are limited to control, and require, as a condition to employment, the approval of that Company. Should any default in payments take place the Company are entitled to demand the appointment of an International Financial Commission to take their place. It is fair to say that there has hitherto been no reason to anticipate the necessity of appealing to this measure. On the contrary, there has been complete agreement between the Government and the Régie, and the Revenue has largely increased under the present system.

The Revenue, as stated above, consists principally of Im-

port and Export dues. There are also "special" Revenues derived from stamps, stamped paper, Post Office, and a surtax on imports. These have been levied in order to serve as guarantees to the Banque Nationale de St. Domingue for sundry Loans advanced to the Government.

Other special revenues have since been created for a similar purpose.

The expenses take the following order :—

A sum of \$62,500 gold is first allowed to the Government each month for the needs of the Administration and the expenses of the Régie, not including War, Marine, or Public Works, which, of late years, have been covered by a special tax. This sum is disbursed by the Régie by means of weekly payments on account, to the order of the Government. This serves as a special guarantee for the French American Reclamation Consols, in case of deficiency from their special securities.

Then comes the service of the Four per Cent. Consolidated Gold Loan, payable monthly to the San Domingo Improvement Company of New York. After this any surplus is handed to the Government. The Company state that since their assumption of the control of the Dominican Finances, there has never been any deficiency.

CURRENCY.

The monetary system, prior to 1894, was based on the Mexican dollar, the currency being exclusively silver. In 1894, however, a gold standard was adopted, the basis of which was a gold dollar of the same weight,

fineness, and value as that of the U.S.A. There is also in circulation a silver coinage, but this is simply a token money, and can be readily exchanged for gold.

The course of exchange is fixed at New York, but it is a remarkable fact that the Mexican dollar tends to depreciate in Santo Domingo. Thus, while the silver Mexican dollar is quoted in New York, London, and Paris at $53\frac{1}{2}$ per cent., in Santo Domingo it commands only 50 per cent.

There are also in circulation notes of the Banque Nationale de St. Domingue, which are accepted in payment of Customs.

SPAIN.

EXTERNAL DEBT.

	Original Amount.	Present Amount.
Five per Cent. Quicksilver Loan	£2,318,100	£597,800
Four per Cent. Perpetual Exterior Debt ...	£77,587,613	
Four per Cent. Redeemable Debt* ...	£64,700,627	
Total ...	£142,886,040	

General Committee of Holders of the External Debt.

Those marked * are Members of the Executive Committee.

Right Hon. Sir John Lubbock, Bart., M.P., <i>Ex officio</i> .	Rev. W. B. Harrison.
Augustus B. Abraham, Esq.	*Geo. Herring, Esq.
*W. H. Bishop, Esq.	Rev. W. Hodgson.
Andrew Cassels, Esq.	Arthur Kimber, Esq.
*M. Castello, Esq.	W. H. Mogg, Esq.
John Collinson, Esq.	D. Robinson, Esq.
Chas. John Croke, Esq.	Christopher Rowlands, Esq.
R. Dixon, Esq.	Thos. Rumball, Esq., M.I.C.E.
W. Duncan, Esq.	*C. Surgey, Esq.
*Roger Eykyn, Esq.	W. Trotter, Esq.
Henry I. Fotherby, Esq., M.D.	John Vade, Esq.
*Hon. Sir C. W. Fremantle, K.C.B.	*Gen. Sir Luther Vaughan, K.C.B.
Captain T. Fuller.	Lieut.-Col. Vickers.
James Gardner, Esq.	*H. A. Withers, Esq.
John Goddard, Esq.	J. Eveleigh Wyndham, Esq.
Wm. Grain, Esq.	
G. de G. Griffiths, Esq., M.D.	
W. Griffith, Esq.	

Secretary.

James P. Cooper, Esq.

* Not quoted in London.

Area (including Canary Islands and Possessions on African Coast) ... 197,670 square miles.
 Population (Census of 1887) ... 17,673,838.
 Capital, Madrid. Population, 1887 ... 470,280.

Foreign Debt per head £8. 1s.

Reigning Sovereign Alfonso XIII.
 Queen Regent Maria Christina.
 British Ambassador in Spain... .. Rt. Hon. Sir Henry Drummond Wolff, G.C.B., G.C.M.G.
 Spanish Ambassador in Great Britain Conde de Casa Valencia.

HISTORY OF THE DEBT (FOREIGN).

To carry this history back to the commencement of the Debt would make it longer than would be convenient in this Report. The Debt up to the year 1823 may therefore be described as a collection of Obligations incurred with England, Holland and France, in connection with the Peninsular War, amounting in the aggregate to £180,384,400. Of this amount £98,646,500 was interest bearing, and the balance of £81,737,900 bore no interest.

1834.—The £98,646,500 Obligations referred to above, which, for the most part, bore 5 per cent. interest, were converted as regards 66½ per cent. into Active Bonds, bearing 5 per cent., and as regards 33½ per cent. into Passive Bonds, bearing no interest. The overdue interest was converted into Deferred Bonds, which were reconvertible into Active Five per Cent. Bonds by twelve annual Drawings from 1838 to 1849. Total issue, £69,235,100. Simultaneously a Loan of £4,000,000 Five per Cent. Bonds was contracted with Messrs. Ardoin & Ricardo, of Paris and London, at 60.

1837.—Default took place owing to the civil war.

1841.—In this year the Coupons upon the Active Bonds and upon the Bonds of the Loan which had been in default since 1837 were converted at par into Three per Cent. Bonds, the Coupons of which were duly paid up to December, 1872.

- 1851.—A Law was passed to carry out a general settlement of the Debt, with the exception of the Three per Cent. Bonds of 1841. By this settlement the whole of the Active Five per Cent. Bonds and 50 per cent. of the arrears of overdue interest accrued on the 1841 Bonds were converted into New Deferred Bonds, bearing interest at 1 per cent., and rising by $\frac{1}{4}$ per cent. every second year up to a maximum of 3 per cent. This maximum was reached in 1870, and duly paid till the end of 1872. The Bondholders converted under protest, and issued "Certificates" for the remaining 50 per cent. of arrears of overdue interest which had been confiscated by the Government.
- 1867.—The "Certificates" referred to above were converted into Three per Cent. Bonds at the rate of £55. 11s. 4d. per £100 "Certificate" issued, and the Passive Bonds, issued in 1834, which had not been already absorbed by purchases of National Lands, were also converted into this Stock at the rate of £510 Three per Cent. Bonds for £340 Passive Bonds, plus £95. 4s. in cash.
- A Loan of £4,000,000 Three per Cent. Bonds was issued simultaneously with this operation, and admitted to the London market, Messrs. Rothschild being entrusted with their negotiation.
- 1869.—Three per Cent. Loan of £32,640,000. Issued at 24 $\frac{26}{100}$ per cent. by the Bank of Paris, which took up a fourth part of the Loan. £10,788,000 Internal Debt was issued at the same time.
- 1870.—Five per Cent. Loan of £2,318,100. (Known as the Quick-silver Loan.) Issued at 80 per cent. Secured on an annuity of £150,000, payable out of the proceeds of Quick-silver from the Almaden Mines.
- 1871.—Three per Cent. Loan of £20,907,025. Issued at 31 per cent. The Government attempted to put a tax of 18 per cent. on the interest of the whole Debt, Internal as well as External, but the measure was abandoned.
- 1872.—In March, 1872, a temporary Arrangement was proposed which the Bondholders accepted on the 27th May. Changes of Ministry occurred, however, immediately, and the new Minister modified this Arrangement considerably by insisting that "the ten Coupons on the Debt from the 31st December,

1872, inclusive, were to be paid, two-thirds in cash and one-third in Three per Cent. Stock at the price of 50 per cent." The Coupons due 30th June, 31st December, 1873, and 30th June, 1874, were not, however, paid.

1872.—A Three per Cent. Loan of £35,025,265 was issued at 81 per cent. in December.

1875.—The Coupons overdue to June, 1874, were ordered by the King to be liquidated, as to 30 per cent. of their value in Rio Tinto Five per Cent. Bonds, and as to the remaining 70 per cent. in Spanish External Bonds at 40 per cent. The Rio Tinto Bonds were issued against Coupons by the Rio Tinto Company, in discharge of Pagarés given by them to the Government as security for the payment of an annuity of £176,000 for twenty years from 1875. They were repaid in 1882.

1876.—In June of this year the Council, on behalf of the Bondholders, accepted a Provisional Arrangement of the Debt on the following bases :—

Interest on the outstanding External Debt to be reduced as follows :—

Coupons payable 30th June, 1877, at $\frac{1}{2}$ per cent. per annum.

Coupons payable 31st December, 1877, to 30th June, 1881, at 1 per cent. per annum.

Coupons payable 31st December, 1881, to 30th June, 1882, at $1\frac{1}{4}$ per cent. per annum.

The half-yearly Coupons due 31st December, 1874, to 31st December, 1876, to be paid in New External Bonds, bearing 2 per cent. interest, and redeemable in 15 years at 50.

1881.—Four per Cent. Redeemable Debt. Amount £72,000,000, redeemable in 42 years. Its object was the conversion of a variety of Internal Bonds. The amount now outstanding is £64,700,627. It is not quoted in the London market.

1882.—The holders of the Consolidated Three per Cent. Internal Bonds having accepted, during the course of this year, a proposal for the conversion of their Stock into Four per Cent. Perpetual Debt at £43. 15s. per cent., a similar proposal was made to the holders of the Consolidated Three per Cent. External Bonds, which was rejected. An arrangement, however, was shortly afterwards accepted, by which

the External Bondholders received a further commission of $\frac{7}{8}$ per cent., thus bringing the rate at which the Bonds were converted to £44. 12s. 6d. By these means the Internal and External Debts were simultaneously consolidated and converted into a Four per Cent. Perpetual Exterior Debt, of which the amount issued was £77,587,613. The annual sum required for the service of this Debt is £3,087,744.

It is understood that about £510,000 Three per Cent. Consolidated Debt still remains unconverted.

REPORT.

Spain, whose ordinary revenue has for a long time past failed to meet her expenditure, has, during the last year, had a still heavier strain placed upon her finances by the enormous extraordinary expenses she has had to face in connection with the suppression of the rebellion in Cuba. This rebellion, which it was at first thought would be quelled within a short time, has now lasted some fifteen months, and it is said that the expenditure caused by it had reached, at the commencement of the present year, a total of not less than £8,000,000, and this amount must since have been considerably increased.

To meet the expenditure caused by the rebellion, the Government had to ask for unlimited credits, and, at the end of June, 1895, the Treasury was authorised to sell £24,000,000 nominal in Cuban Five per Cent. Bonds. Negotiations were entered into in London and Paris with the view of raising money upon these Bonds, but without success. In October, however, an arrangement was made with the Banque de Paris et des Pays Bas, by which this Bank undertook to provide a loan of 75,000,000 fr. (say £3,000,000) on the security of Billetes Hipotecarios de Cuba of the 1890 issue at 80 per cent. of their nominal value, the Bank retaining the right to

dispose of the Bonds in case of necessity at not less than 78 per cent. ex dividend. The amount of this loan is to be solely devoted to the suppression of the rebellion, and it was to be paid into the Colonial Treasury by instalments between November, 1895, and February, 1896.

FLOATING DEBT.

It was stated in the press on the 1st January, 1896, that the Minister of Finance had renewed for a further period of six months 332,000,000 pesetas of Five per Cent. Treasury Bonds, and also for a period of three months 88,000,000 pesetas of Four-and-a-Half per Cent. Treasury Pagarés which had then fallen due. The Floating Debt of Spain in January last exceeded £17,000,000 sterling.

BUDGET 1895-6.

The Budget for 1895-6 was confirmed by Law on the 30th June, 1895, subsequent to the publication of the Appendix to the Council's Report last year. As it differs somewhat from the Estimates submitted earlier in the year by Señor Canalejas, who preceded Señor Reverter in the office of Finance Minister, and whose Estimates, at that time before the Chamber of Representatives, were given in last year's Appendix, the Revenue and Expenditure finally sanctioned by Law are given below.

ESTIMATED REVENUE 1895-96.

Source.	Pesetas.
Direct Taxes	290,680,810
Indirect „	304,230,000
State Monopolies	127,105,000
Properties and Dues belonging to State—	
Income	18,702,412
Sales	1,924,000
Sundry Treasury Assets	15,875,000
Total	<u>758,517,222</u>

ESTIMATED EXPENDITURE 1895-6.

Description.	Pesetas.
Royal Family	9,500,000
Legislative Bodies	1,638,085
Public Debt	318,969,001
Sundry Obligations recognised by State	1,659,090
Pensions, etc.	55,016,400
Presidency of Council of Ministers	883,050
Ministry of State, Foreign Department	4,758,945
" " Grace and Justice, Civil Obligations	12,885,141
" " " " Ecclesiastical do.	40,354,521
" " War	120,086,669
" " Marine	23,443,668
" " Home Department	47,566,729
" " Education, Public Works, etc.	85,446,973
" " Finance	15,966,475
Expenditure by Collection of Revenue	28,399,002
Subvention to Colony in Fernando Po	655,000
Total	<u>767,228,753</u>

SUMMARY OF BUDGET FOR 1895-6.

	Pesetas.
Estimated Expenditure	767,228,753
" Revenue	<u>758,517,222</u>
Estimated Deficit	<u>8,711,530</u>

FINAL LIQUIDATION OF THE BUDGET OF 1894-5.

On the 20th June, 1896, Señor Reverter, the Minister of Finance, presented to Congress a Statement showing the definitive liquidation of the Budget of 1894-5, from which the following results appeared :—

	Pesetas,
Receipts realised	702,202,823.78
Expenditure made	<u>753,008,154.26</u>
Deficit 1894-5 Budget	<u>50,805,330.48</u>

From this gross deficit on account of the 1894-5 Budget the Minister deducted the sum of 25,555,990.74

pesetas, which represented the surplus resulting from previous Budgets, the accounts of which had been closed. The nett deficit of the year 1894-5 was therefore 25,249,339.74 pesetas.

The following Table, which shows the Receipts in each year from 1885-86 to 1894-95, is taken from the Memorial of the Finance Minister :—

Budget.	Direct Taxes.	Indirect Taxes.	Monopolies.	State Properties.	Treasury Resources.	Closed Budgets.	Total.
1885-86	256,795,976.24	267,153,484.52	209,339,718.34	22,649,926.01	22,067,943.41	17,199,767.89	795,206,816.41
1886-87	264,833,554.15	276,744,995.40	208,928,943.03	20,390,451.91	25,166,834.23	18,538,372.64	814,603,151.36
1887-88	261,211,521.61	276,879,753.51	171,108,258.78	21,792,112.80	16,816,653.62	12,882,059.76	760,690,360.08
1888-89	251,151,527.58	239,783,589.10	170,270,530.06	22,775,369.03	13,661,561.31	15,480,760.21	713,123,337.29
1889-90	253,328,665.40	275,697,452.23	171,908,632.84	22,766,280.65	12,573,997.57	16,630,206.78	752,905,325.47
1890-91	255,384,247.80	277,600,989.09	173,025,120.72	21,778,472.05	14,213,498.04	11,819,646.18	753,011,973.88
1891-92	250,681,616.86	268,367,750.63	182,678,520.47	20,573,113.49	13,947,308.71	12,576,813.13	748,825,123.29
1892-93	263,737,894.99	283,339,416.35	127,903,991.37	18,690,240.81	13,181,933.84	12,645,317.09	719,498,794.45
1893-94	259,900,931.82	295,305,688.53	123,900,804.62	15,185,429.36	12,731,888.88	11,153,780.84	718,178,524.05
1894-95	256,402,453.74	285,276,051.20	118,384,778.37	15,710,884.77	23,756,198.79	52,790,209.92	754,320,576.79
TOTALS	2,573,428,390.19	2,746,239,170.56	1,657,449,298.60	202,312,280.88	170,117,818.40	181,717,024.44	7,531,263,983.07
Average	257,342,839.02	274,623,917.06	165,744,929.86	20,231,228.09	17,011,781.84	18,171,702.44	753,126,398.31

It will be seen by the above table that the receipts from the Indirect Taxes and from the Treasury Resources have slightly increased during this period of ten years; that those from the Direct Taxes have practically remained stationary; and that those derived from the Monopolies and from State Properties have diminished.

The Expenditure during the same period is compared with the Receipts in the following table, which also shows the annual deficits.

Budget.	Expenditure.	Receipts.	Deficit.
1885-86 ...	895,618,069.20	795,206,816.41	100,411,252.79
1886-87 ...	940,133,468.82	814,603,151.36	125,530,317.46
1887-88 ...	843,209,546.70	760,690,360.08	82,519,186.62
1888-89 ...	854,544,195.96	713,123,337.29	141,420,858.67
1889-90 ...	835,167,613.24	752,905,325.47	82,262,287.77
1890-91 ...	831,165,850.76	753,911,973.88	77,253,876.88
1891-92 ...	823,520,786.40	748,825,123.29	74,695,663.11
1892-93 ...	767,855,381.34	719,498,794.45	48,356,586.89
1893-94 ...	772,192,102.84	718,178,524.05	54,013,578.79
1894-95 ...	779,569,916.53	754,320,576.79	25,249,339.74
Total ...	8,342,976,931.79	7,531,263,983.07	811,712,948.72
Average ...	834,297,693.18	753,126,398.31	81,171,294.87

PROBABLE RESULTS OF THE BUDGET OF 1895-6.

The Minister calculated that the Receipts and Expenditure of the Budget of 1895-6 would be :—

					Pesetas.
Receipts realised	...	...	...	...	711,416,812.72
Expenditure made	...	...	...	...	767,258,919.02
Gross Deficit of 1895-6 Budget	...				<u>55,837,100.30</u>

From this he deducted, as in his liquidation of the 1893-4 Budget, the surplus that would probably be shown by the accounts belonging to previously closed Budgets, which will amount to 33,868,093.31 pesetas, leaving a nett deficit for the year 1895-6 of 21,969,066.99 pesetas.

It should be borne in mind that up to the time of the presentation of this memorial the accounts had only been made up for ten months of the financial year. Señor Reverter stated that the returns for this period had not shown that the Receipts had suffered from the rebellion in

Cuba or the insufficiency of the Estimates, as might have been expected ; on the contrary, had it not been for the persistent falling-off of the Customs Revenue, the receipts corresponding to the present Budget would have considerably exceeded those of previous years. This fact was shown by the following Tables.

REVENUE COLLECTED DURING TEN MONTHS IN 1893-4,
1894-5, AND 1895-6.

	1893-4 Budget.	1894-5 Budget.	1895-6 Budget.
	Pesetas.	Pesetas.	Pesetas.
Donations and direct contributions... ..	198,413,034	198,843,558	198,405,533
Indirect contributions	238,154,499	234,946,896	224,593,578
Monopolies, etc.	104,865,827	100,629,540	104,356,083
State Properties and Dues:—			
Income	8,612,026	8,622,344	9,137,783
Sales	3,900,245	4,393,679	1,182,623
Treasury Resources	12,024,265	20,513,114	33,832,746
From previous Budgets	565,969,899 55,110,629	567,949,534 51,088,602	572,208,349 52,727,325
Totals	621,080,528	619,038,137	624,935,674

The fall in the Customs Revenue, which is included in the Indirect Contributions, is shown by the following comparative Table:—

CUSTOMS DUTIES COLLECTED DURING THE TEN FIRST
MONTHS OF—

	1893-4.	1894-5.	1895-6.
IMPORT DUTIES.	Pesetas.	Pesetas.	Pesetas.
Wheat	26,546,636	23,199,831	9,606,000
Flour	642,512	1,328,497	8,346
Other Cereals	933,626	1,231,669	694,948
Petroleum... ..	12,608,850	10,226,986	11,055,894
Other Articles	77,475,435	74,258,524	72,159,345
	<u>118,207,059</u>	<u>110,245,507</u>	<u>93,524,533</u>
EXPORT DUTIES.			
On all accounts	909,044	864,193	139,633
Total	119,116,103	111,109,700	93,664,166

ESTIMATES FOR 1896-7.

The Minister then submitted the Estimates of Revenue and Expenditure for the year 1896-7 as follows:—

	Pesetas.
Estimated Revenue	773,766,261.50
„ Expenditure	763,765,657.89
Estimated Surplus	<u>10,000,603.61</u>

The following Tables show the composition of the Estimates:—

ESTIMATED REVENUE, 1896-7.

Description.	Pesetas.
Donations and Direct Contributions	295,940,810.00
Indirect Contributions	302,135,000.00
Monopolies, etc.	136,105,000.00
State Properties and Dues { Income ..	18,167,451.50
{ Sales	4,218,000.00
Treasury Resources	17,200,000.00
Total	<u>773,766,261.50</u>

ESTIMATED EXPENDITURE, 1896-7.

Description.	Pesetas.
Royal Family	9,500,000.00
Legislative Bodies	1,638,085.00
Public Debt	314,991,533.19
Sundry Obligations recognised by State ...	1,463,858.93
Pensions, etc.	56,214,730.00
Presidency of Council of Ministers	964,300.00
Ministry of State... ..	4,714,512.00
" " Grace and Justice	53,858,240.28
" " War	140,225,381.01
" " Marine	23,433,940.62
" " Government	27,249,868.11
" " Home Department... ..	77,960,225.38
" " Finance	16,187,417.58
Expenditure in collection of Revenue ...	28,708,565.79
Subvention to Colony of Fernando Po ...	655,000.00
	<hr/>
	<u>757,765,657.89</u>

FARMING OF THE REVENUES.

Some of the Revenues would, the Minister considered, yield a much better result if their collection was confided to private companies formed for that purpose. He recommended, therefore, that the existing Tobacco Company should have its contract prolonged, and that, in addition, it should be granted a concession, for an extended period, to collect the Stamp Duty, which would permit of its making a better organisation for this purpose than had been possible under the arrangement in accordance with which it had performed this duty for the last three years. He also submitted to the Chambers a project of Law under which the Lottery Revenue was to be confided to a private company, and for the re-establishment of the Salt Tax, which he was of opinion should be farmed out as well.

PUBLIC DEBT.

The following is a translation of the Section in the Estimates for 1896-7 which relates to the service of the Public Debt:—

Description.	Credit asked for in Estimate.
STATE DEBT.	
<i>Consolidated Debt—</i>	Pesetas.
Interest on Consolidated Debt, at 5 per cent., due to the United States	—
Interest on Perpetual External Debt at 4 per cent. ...	78,846,040
Interest on Internal Debt and non-transferable Stock in favour of Civil Corporations	90,811,190
Interest equivalent to sale of alienated property	—
Interest on Inscribed Stock (untransferable) issued to Clergy on permutation of their property	—
Redemption of residue of Consolidated Debt	1,000
<i>Redeemable Debt—</i>	
Interest and Redemption of Redeemable Debt at 4 per cent.	101,454,050
Commission, $1\frac{1}{2}$ per cent, to Bank of Spain for service of quarterly payment of Interest and Sinking Fund on certain securities	1,266,300
Interest on Shares for Public Works	10,750
Redemption of Shares for Public Works	91,146
Interest on Shares for making Public Roads	4,600
Redemption of Shares for making Public Roads	55,658
Redemption of Treasury Debt due to Officials	10,000
Redemption of Credits awaiting payment on the Redeemable Four per Cent. Debt	—
Redemption of First Tithes of Loan of 175,000,000 pesetas	—
Loss by exchange on remittances abroad for service of Foreign Debt	12,000,000
Total	284,550,734
TREASURY DEBT.	
Annual sum for Interest and Sinking Fund of the Rothschild Loan on the sale of Quicksilver	5,500,000
Interest of the Loan to be made by the Company renting the Tobacco Monopoly	3,000,000
For the payment of Interest on the Floating Debt	18,539,870
Interest on Deposits lodged as guarantees for Public Works and Contracts, and for the third part of 80 per cent. on "Propios" (communal property)	3,300,000
Total	30,339,870
OUTSTANDING LIABILITIES.	
Liabilities for which no credit has been given by Legislature	100,929

SUMMARY OF DEBT SERVICE.

					Pesetas.
State Debt	...	...	...	...	284,550,734.00
Treasury Debt	...	...	...	...	30,339,870.00
Outstanding Liabilities	...	...	...	...	100,929.00
Total	..	...	...	...	<u>314,991,533.00</u>

RECEIPTS FOR FIRST SIX MONTHS, 1895-6.

The following Table shows the amounts collected from the different sources of Revenue, during the six months from July to December, 1895 (both inclusive,) corresponding to the Budget for 1895-6, and including amounts outstanding after the closure of preceding Budgets.

					Pesetas,
Donations and Direct Contributions	...	...	...	...	142,911,131.90
Indirect Contributions	...	...	...	...	146,532,125.60
Monopolies, etc.	...	...	...	...	72,613,044.07
State Properties, etc.,	Income,	11,137,433.17			
"	"				
"	"				
Treasury Resources...	Sales,	2,150,001.10			
					13,287,434.27
					29,784,827.96
					<u>405,128,563.80</u>

In the preceding Table, under the heading "Treasury Resources," are included the amounts received for dispensation from military service, which show a very large increase as compared with the previous Budget. The receipts from this source alone amounted to over twenty-seven million pesetas, as against about a million received in preceding years. On the other hand, other sources of revenue have considerably fallen off; especially the Customs Receipts, which are included under the heading "Indirect Contributions," and which show a decrease of nearly eight millions.

The expenditure during the same period has been as follows:—

	Pesetas.
General obligations of the State	191,975,588.68
Obligations of the different Departments of State	382,253,873.94
	<u>574,229,462.62</u>
corresponding to the regular Budget,	
and	7,045,272.08
corresponding to the Extraordinary Budget.	
Total	<u>581,274,734.70</u>

In the following Table is shown the amount received for Duties, Dues, etc., by the Custom House during the first six months of the Fiscal Year 1895-6, as compared with the corresponding periods in 1893-4 and 1894-5 respectively:—

Revenue.	First Six Months of Fiscal Year.		
	1893-4.	1894-5.	1895-6.
	Pesetas.	Pesetas.	Pesetas.
Import Duties	64,265,157	60,199,718	52,582,593
Export „	543,469	672,535	102,850
Loading Dues	2,137,738	2,020,501	2,547,427
Unloading Dues... ..	1,752,076	1,803,010	1,717,561
Passengers „	126,398	130,134	128,722
Minor Duties	328,390	328,429	40,878
Quarantine and Lazaretto Dues	371,394	140,796	71,334
Received by Treasury in Fines			
and Goods Abandoned ...	390,349	211,546	292,988
Tax on Dues paid in “Pagarés”	1,135	13,533	12,961
Custom House Duties for Material			
for Public Works	2,322,789	289,238	197,256
Sundries	60	1,008	—
Totals... ..	72,238,955	66,010,448	57,994,575
Calculated in Estimates... ..	53,184,000	53,184,000	65,771,500
Collected in comparison with			
Estimates	+19,054,955	+12,826,448	-7,776,925

It will be seen that the Receipts for the first half of 1895-6 fell short by nearly 8 million pesetas of the estimated amount.

THE FOLLOWING TABLE, TAKEN FROM THE OFFICIAL "GACETA DE MADRID," SHOWS THE VALUE OF THE IMPORTS AND EXPORTS RESPECTIVELY DURING 1895, COMPARING THEM WITH THOSE OF 1893 AND 1894:—

Description.	IMPORTS.			EXPORTS.		
	1893.	1894.	1895.	1893.	1894.	1895.
	Pesetas.	Pesetas.	Pesetas.	Pesetas.	Pesetas.	Pesetas.
Stone, Minerals, Glassware and Pottery ...	72,031,126	70,472,914	68,036,884	83,280,238	85,806,305	85,097,318
Metals and their Manufactures ...	23,025,163	24,438,062	20,521,893	101,983,588	79,719,334	120,875,855
Drugs and Chemical Products ...	52,685,486	54,917,605	58,299,068	22,878,382	22,022,365	21,095,455
Cotton and its Manufactures ...	87,864,269	93,516,355	97,899,370	48,780,160	47,026,926	42,621,917
Other Vegetable Fibres and Manufactures ...	29,537,209	27,122,434	30,896,431	6,363,693	4,527,832	3,891,817
Wool and Hair and their Manufactures ...	26,416,453	31,911,288	30,364,704	18,595,342	13,089,385	18,046,915
Silk and its Manufactures ...	20,218,173	20,957,004	22,359,233	4,447,384	5,768,699	4,903,400
Paper and its Applications ...	10,552,213	9,541,329	9,699,550	9,342,618	10,989,841	11,287,411
Timber and its Manufactures ...	42,057,558	45,343,268	45,497,478	30,392,001	27,648,073	29,002,737
Animals and their Products ...	37,062,975	50,920,687	64,677,018	44,940,578	47,773,806	53,258,136
Machinery, Vehicles and Vessels ...	37,407,835	34,980,425	31,542,565	928,674	600,962	461,023
Alimentary substances, including Grain, Sugar, Wine, etc. ...	171,578,797	176,690,094	131,391,431	235,577,153	232,537,677	268,133,869
Various ...	5,939,964	5,641,359	7,290,085	2,399,953	2,152,857	2,260,141
Special Importation—Articles required for Railways, Agricultural Colonies, Tobacco Monopoly Company, etc. ...	58,594,921	65,659,932	68,322,092	.....	.....	—
Totals ...	674,972,942	712,112,756	686,700,802	609,909,764	579,774,062	660,875,994

The following are the official figures for the Maritime movement in Spain during the years 1892-3-4-5.

ENTERED.

	1892.	1893.	1894.	1895.
Laden—				
Steamers, National ...	4,807	5,150	5,097	5,347
„ Foreign ...	4,081	3,740	3,601	3,493
Sailing, National ...	1,541	1,492	1,467	1,432
„ Foreign ...	1,346	1,204	1,087	1,138
In ballast—				
Steamers, National ...	1,140	1,573	1,903	1,506
„ Foreign ...	3,322	3,315	3,445	3,978
Sailing, National ...	536	589	626	2,769
„ Foreign ...	594	554	573	515

CLEARED.

	1892.	1893.	1894.	1895.
Laden—				
Steamers, National ...	5,022	5,258	5,669	5,719
„ Foreign ...	6,202	6,188	6,584	6,882
Sailing, National ...	1,420	1,265	1,351	1,363
„ Foreign ...	1,026	873	841	728
In ballast—				
Steamers, National ...	858	860	942	617
„ Foreign ...	1,267	564	625	457
Sailing, National ...	604	611	620	502
„ Foreign ...	529	470	461	429

TURKEY.

TURKISH EXTERNAL DEBT.

(DEALT IN IN LONDON.)

Series A outstanding ...	...	...	...	£1,001,762
" B " ...	...	...	...	8,150,305
" C " ...	...	...	...	29,257,171
" D " ...	...	...	...	42,584,465
Five per Cent. Loan of 1888	...	...	...	1,272,900
Priority Conversion Loan (4 per cent.), 1890	...	...	...	7,399,240
Four per Cent. Loan of 1890	...	...	...	4,269,000
Four per Cent. Loan secured on the Egyptian Tribute	...	...	...	6,188,920
Three and a-Half per Cent. Conversion Loan, do. ...	...	...	...	8,172,180
Four per Cent. Loan of 1894 (Paris, 40,000,000 frs.)	...	...	...	1,567,360
				<hr/> £109,863,303

(NOT DEALT IN IN LONDON.)

Lottery Bonds (" Lots Turcs ")	...	...	£13,420,290
Five per Cent. Customs Loan, 1886	...	...	5,235,980*
Four per Cent. Tombac Priority Bonds, 1894	...	...	884,551*
Five per Cent. Loan of 1896 (Issued)	...	...	2,110,000
			<hr/> 21,650,821

Total External Debt ... £131,514,124

Area	...	...	...	1,147,578	Square Miles.
Population	...	...	...	...	27,694,600
Capital, Constantinople.	Population...	...	...	...	873,565
External Debt per head...	...	...	...	...	£4 15s.

* Approximate only.

Sultan	...	...	...	...	...	Abdul-Hamid II.
Minister of Finance	...	...	...	...	...	Nazif Pasha.
British Ambassador at Constantinople...	...	...	...	...	...	Right Hon. Sir P. H. W. Currie, G.C.B.
Turkish Ambassador in London	...	...	...	...	...	Costaki Pasha.
Representative of British Bondholders in Constantinople	...	...	...	...	...	Sir Vincent Caillard.

HISTORY OF THE FOREIGN DEBT.

1854.—Six per Cent. Loan. Original amount, £5,000,000, of which only £3,000,000 was issued in England at 80 per cent. This Loan was specially secured on the Tribute paid to the Porte by the Khedive of Egypt, and was to be redeemed by an accumulative Sinking Fund of 1 per cent., which should have extinguished it by 1889. In 1877, on condition that the funds for the service of the Loan should be remitted direct from Egypt to the Bondholders, it was agreed to reduce the interest to 5 per cent. and the Sinking Fund to $\frac{1}{2}$ per cent. on the £1,800,300 Bonds then outstanding. This Loan was converted into Three and a Half per Cent. Bonds by the issue in June, 1894, hereinafter mentioned.

1855.—Four per Cent. Guaranteed Loan. Original amount, £5,000,000. Issued by Messrs. Rothschild at $102\frac{1}{2}$ per cent. Sinking Fund 1 per cent. per annum. Interest and Sinking Fund were secured upon the whole Revenue of the Ottoman Empire, and specially upon the balance of the Egyptian Tribute left after providing service on the Loan of 1854, and also upon the Customs Duties of Smyrna and Syria. The payment of interest was further guaranteed by England and France, and the Loan, therefore, did not go into default in 1876. This Loan is quoted with the British Funds.

1858.—Six per Cent. Loan. Original amount, £5,000,000. Issued at 85 per cent. to the amount of £4,380,000, and at $62\frac{1}{2}$ per cent. for the remaining £620,000 in 1859. Interest was secured upon the Revenues of the Ottoman Empire, and specially upon the Octroi of Constantinople. The dividends and drawings were paid regularly until September, 1876.

Under the Decree of 1881, the then outstanding principal of £3,684,750 was reduced to "A" Bonds, at the rate of 93·15 per cent., to include arrears of interest, bringing it down to £3,432,344.

1860.—Six per Cent. Loan. Original amount, £2,037,220. Issued in Paris in Bonds of 500 francs, or £20, at the rate of £12. 10s. per Bond. Redeemable at par in the course of thirty-six years. This Loan was reduced under the Decree of December, 1881, into "B" Bonds, at the rate of 62·9 per cent. to include arrears of interest. The nominal amount then outstanding, £1,654,030, was thus converted into £1,040,384 "B" Bonds.

1862.—Six per Cent. Loan. Original amount, £8,000,000. Issued at 68 per cent. Sinking Fund, 2 per cent. Secured specially on Revenue derived from Tobacco and Salt, and duty on Stamps and Licenses. In 1881 the amount of Principal outstanding was nominally £4,999,650, which was converted into £3,724,739 "A" Bonds, at the rate of 74·5 per cent. including arrears of interest.

1863-4.—Six per Cent. Loan. Original amount, £6,000,000. Issued in Bonds of 500 francs and £20 each, at 360 francs and £14. 8s. Sinking Fund, 2 per cent. per annum secured on special Revenues and certain direct taxes. Amount of principal outstanding in 1881, £5,188,750, converted at the rate of 76·3 per cent. into "B" Bonds for £3,959,016.

1865.—Six per Cent. Loan. Original amount, £6,000,000. Issued at 65½ per cent., redeemable at par in twenty-one years by drawings. Specially secured on the Sheep taxes of Roumelia and the Archipelago (hence known as Mutton Loan). Nominal principal outstanding in 1882, £4,098,500. Converted at the rate of 71 per cent. into "C" Bonds for £2,909,035.

1865.—Five per Cent. General Debt. Issued to consolidate previously existing Internal Debts. £3,636,363 was issued in London in 1865 at 50 per cent. (or 47½ if Bonus Coupon were deducted). In 1874 a further issue of £15,900,000 was offered for subscription in London at 43½ per cent., or nett 42½ per cent. The amount outstanding in 1881 was £87,197,360, so that a large amount must have been issued

privately. Converted at 50·25 per cent. into "D" Bonds for £43,816,673.

1869.—Six per Cent. Loan for £2,480,000 issued in March, 1869, at 83 per cent. This Loan was redeemed at par in four instalments between April, 1872, and October, 1873.

1869.—Six per Cent. Loan for £22,177,220, issued in December 1869, at 60½ per cent., or allowing for accrued interest and deferred instalments, at 58½ per cent. Amount outstanding in 1876, £20,650,000. Reduced in 1882 into "C" Bonds at 62·4 per cent. to £12,885,600.

1871.—Six per Cent. Loan secured on the Egyptian Tribute. Sinking Fund, 1 per cent., £5,700,000 issued at 73 per cent. In 1887 the interest was reduced to 4½ per cent., and the Sinking Fund suspended. Converted in June, 1894, into a Three and a-Half per Cent. Stock.

1870-2.—Three per Cent. Roumelian Railway Bonds ("Lots Turcs"). Issued on the Continent as a Lottery Loan in obligations of 400 fr. nominal, which were sold at 170 to 180 fr. each, and were redeemable by drawings with premiums every two months. Default in drawings took place in 1875. The amount then outstanding was £31,508,000, which under the Decree of 1881 was considered as belonging to "Group IV" or "Series D" at the rate of 45·09 per cent., making a total of £14,206,957. Interest is not paid on these Bonds, but the sum accruing to them under the Decree is devoted to payment of a percentage on the amounts drawn for redemption under the original scheme of six annual drawings.

1872.—Nine per Cent. Loan. Issued as Treasury Bonds to the amount of £11,126,200 at 98½ per cent. Amount outstanding in 1881, £4,820,200. Under the Arrangement of 1881 this Loan was converted into "B" Bonds at the rate of 107·75 per cent., making the nominal amount £5,192,765.

1873.—Six per Cent. Loan. Nominal original amount, £27,777,780, of which £8,000,000 was issued in London at 58½ per cent. During the Russo-Turkish War the unissued balance of this Loan appears to have been placed privately. Amount outstanding in 1881, £27,196,740, converted at the rate of 55·25 per cent. into "C" Bonds for £15,026,198.

1877.—Five per Cent. Ottoman Defence Loan for £5,000,000. Secured on the free portion of the Egyptian Tribute. Issued at 52 per cent. for the defence of the Empire against Russia. Converted in 1891 into Four per Cent. Bonds, with a bonus of £7 per cent., the unconverted balance being paid off at par.

1878.—Five per Cent. Priority Loan, £7,427,260. Issued to consolidate the advances of the Galata Banks. The interest, originally 8 per cent., was reduced in 1881 to 5 per cent. Secured at first on the Customs, but afterwards by a first charge on the six indirect contributions conceded to the Turkish Bondholders by the Iradé of December, 1881. Converted in 1890.

1881.—The Imperial Ottoman Government having in June, 1881, signified its willingness to come to a settlement with its Creditors, Delegates representing the English, Dutch, French, Austrian, German and Italian Bondholders proceeded to Constantinople and made an arrangement with the Government known as the Iradé or Decree of the 8-20 December, 1881.

That Decree provided for the Conversion of all Turkish Loans—except the 1854 and 1871 Loans, secured on the Egyptian Tribute, the 1855 Loan, which was guaranteed by England and France, and the Priority Loan, held by the Galata Bankers—into Bonds of four Series, viz., A, B, C and D, on terms which have been already mentioned under the headings of the respective Loans.

Each of the above Series of Bonds enjoys a preference over the following Series in alphabetical order, but only as regards amortisation, the interest in each case being identical.

The Funds ceded to the Bondholders, the distribution of which is confided to the Council of Administration at Constantinople, are derived, 1st, from the Revenues yielded by the taxes on Salt, Stamps, Spirits, Fish, Silk and Tobacco (the latter have been subsequently entrusted to a Régie); 2nd, from the Bulgarian, Eastern Roumelian and Cyprus Tribute; and 3rd, from the tax on Persian tobacco.* From the total Revenue obtained from these sources, the service of the

* In addition to the above there will be the sums accruing under the new Customs Treaties when obtained, and the revision of the Patents Law.

Privileged Debt, £536,363, was to be deducted, and the balance devoted to the service of the Series, four-fifths to interest and one-fifth to amortisation, which was to be by purchase, or by drawing at the following rates when the market price was higher, viz. :—

66½ per cent. when the interest was at 1 per cent.

75 per cent. when between that rate and 3 per cent.

100 per cent. when 3 per cent. or more.

The interest, which was to rise by $\frac{1}{4}$ per cent. when the funds would permit it, was never to exceed 4 per cent., and any surplus was to be handed to the Government.

Hitherto interest has been punctually paid at 1 per cent per annum only, any excess being put to the Reserve Fund. This now amounts to £414,551.

The Council of Administration now undertakes the Service of all Turkish Loans, except those secured on the Egyptian Tribute, which are practically Egyptian Bonds, the Guaranteed Loan of 1855, the Customs Loan, and the Tombac Loan, special funds being provided for those not included in the Converted Debt.

1885.—“Raccordements” Loan, £930,600. Issued in Paris to complete the junction between the Turkish-Bulgarian and Turkish-Servian Railway systems. This Loan has now been paid off out of the proceeds of the Five per Cent. Loan of 1896.

1886.—Five per Cent. Customs Loan, £5,909,080. Issued in payment of sundry debts to the Imperial Ottoman Bank. Secured on the Customs and the annuity of £354,545. Redeemable by an accumulative Sinking Fund of 1 per cent. by purchase, but in order to hasten the redemption, the Government devotes its share of the profits of the Tobacco Régie to the same purpose.

1888.—German Loan of 30,000,000 marks. Interest, 5 per cent. Sinking Fund, 2 per cent. Secured on the Fishery and other specified Revenues.

1890.—Priority Conversion Four per Cent. Loan for £7,827,240. Issued in May, 1890, at 81½ per cent. Redeemable at par in forty-four years from 1891 by half-yearly drawings. Issued for the Conversion of the Five per Cent. Priority Loan. The economy arising from this operation, viz., £145,000 per annum, is applied to the redemption of the Series Debt.

1890.—Four per Cent. Consolidation Loan of 1890 for £4,545,000. The greater portion of this Loan was issued in exchange for Internal Bonds. The balance, £485,960, was issued at 78½ per cent. Secured on Customs from certain specified districts.

1891.—Four per Cent. Loan for £6,316,920. Secured on the Egyptian Tribute. Issued at 93½ per cent. Redeemable at par in sixty years from 1891 by annual drawings. This Loan was issued to replace the Five per Cent. Defence Loan of 1877.

1894.—Priority Four per Cent. Tombac Loan for £900,000. Issued on the Continent in 1893. Sinking Fund, 1 per cent. Secured on the annuity of £36,000 paid by the Tombac Company.

1894.—Three and a-Half per Cent. Egyptian Tribute Ottoman Bonds, £8,212,340, issued in June, 1894. Cash subscription price 94¼ per cent., redeemable at par within sixty-one years from July, 1895, by annual drawings.

The object of this Loan was the Conversion and Redemption of the outstanding Bonds of the Five per Cent. Loan of 1854, and the Four and a-Quarter per Cent. Loan of 1871.

Holders of the former received new 3½ per cent. Bonds and a bonus of £6 in cash, with £1. 6s. 4d. interest accrued, and the Holders of the latter received new 3½ per cent. Bonds and bonus of £6 in cash, with £1. 2s. 4d. interest accrued. Bonds of 1854 and 1871 not exchanged, were paid off at par.

1894.—Four per Cent. Railway Loan for 40,000,000 fr., issued on the Continent at 83 per cent., secured on a sum of 1,500 fr. per kilometre, payable annually by the Company to the Government.

1896.—Five per Cent. Loan of £2,975,200. £2,110,000 of this issued in Paris by the Imperial Ottoman Bank at 86 per cent. The Loan is redeemable by half-yearly drawings at par, in 49 years, with a Sinking Fund of about ½ per cent. The service is under the control of the Council of Administration of the Ottoman Public Debt, and is secured on the Sheep Tax and Tithes in certain Provinces, with a special lien on the Government's share in the profits of the Oriental Railways, representing an aggregate value of £181,818 per annum, the amount required for Interest and Sinking Fund being only £163,636.

EXCHANGE OF REGISTERED AGAINST CONVERTED BONDS.

The amount of Registered Bonds still in circulation on March 12th, 1896, was £6,299³⁷⁵, as against £7,159³⁷⁵ at the close of last year. Holders of these Bonds are once more reminded that in order to obtain payment of their Coupons they must exchange their Registered Bonds against Converted Bonds bearing the corresponding Coupons, when those of the latter which have fallen due will be paid immediately, subject to the ordinary prescription of five years.

REGISTERED BONDS ON THE 12TH MARCH, 1895.

	Loan of					£
SERIES A.	{ 1858	...	...	...	...	900
	{ 1862	...	...	...	...	...
	{ 1860	...	...	...	...	100
,, B.	{ 1863-4	...	...	...	...	40
	{ 1872	...	...	...	...	269 ³⁷⁵
	{ 1865	...	...	...	...	640
,, C.	{ 1869	...	...	...	...	540
	{ 1873	...	...	...	...	...
,, D.	General Debt	...	...	...	...	3,810
Total in circulation ...						<u>£6,299³⁷⁵</u>

SINKING FUND.

The following Table shows the operations of the Ordinary and Extraordinary Sinking Funds for the past two financial periods. The Ordinary Sinking Fund, which is derived from the Revenues assigned under the Decree of December, 1881, has as yet only become applicable to "Series A and B." The Extraordinary Sinking Fund is derived from the savings effected by the Conversion of the Priority Loan, and is distributed as follows:—

Series A.	...	...	...	...	£10,000
,, B.	...	...	...	...	45,000
,, C.	...	...	...	...	45,000
,, D.	...	...	...	...	45,000

plus the interest on Bonds redeemed through its opera-

tion. The decrease in the amounts of "Series A and B" redeemed during last year is accounted for by the enhanced price at which the Bonds were purchased.

Series.	Ordinary Sinking Fund.		Extraordinary Sinking Fund.	
	Year 1894-5.	Year. 1895-6.	Year 1894-5.	Year 1895-6.
A.	£ *411,000	£ 403,800	£ *17,000	£ 16,200
B.	*222,800	190,000	*127,220	120,000
C. ... ..	...	...	*230,000	220,000
D. ... ..	...	...	*150,000	160,000
Total	*633,800	593,800	524,220	516,200

The following Table shows the amounts redeemed by the action of the Extraordinary Sinking Fund since its establishment in 1890:—

EXTRAORDINARY SINKING FUND.

Series.	Nominal amount Purchased.	Cost.	Average price per cent.
	£	£ s. d.	£
A.	108,100	57,623 15 6	53'30
B.	846,720	273,423 17 2	32'29
C.	1,292,080	297,385 11 0	23'01
D.	1,067,500	228,850 1 0	21'43
Total	3,314,400	857,283 4 8	25'86

The purchases of "Series A" Bonds effected by the Council of Administration on account of the Ordinary Sinking Fund during the last financial year ending 12th March, 1896, amount to £403,800, at a cost of £266,896. 13s. 6d., the average price thus coming out at 66'09.

Adding this total to the amounts redeemed in previous

* These figures differ slightly from those given last year, the final accounts not having been closed when last year's Report was published.

years, and to those redeemed by the action of the Extraordinary Sinking Fund, it will be found that the total amount of "Series A" redeemed up to the 12th March, 1896, was £6,118,120, at a cost of £2,554,942. 7s. 8d., the average price for the fourteen years being thus £41'76. The original amount of "Series A" having been £7,183,872, it will be seen that 85'16 per cent. of this series has now been redeemed.

The proportion of "Series B" redeemed by the operation of both Sinking Funds during the same period was equal to 18'5 per cent.

The position of the Ottoman Public Debt on the 12th March, 1895, was as follows :—

Series.	Original Nominal Reduced Capital.	Inscribed on the Grand Livre.	Amount Redeemed.	Amount Outstanding.	Amount Forfeited.
A.	£ 7,183,872	£ 7,119,882	£ 16,118,120	£ 1,001,762	£ 63,990
B.	10,241,048	10,044,825	¹ 1,894,520	8,150,305	196,223
C.	30,832,511	30,549,251	1,292,080	29,257,171	283,260
D.	43,968,396	43,651,965	1,067,500	42,584,465	316,431
Total ...	92,225,827	91,365,923	² 10,372,220	80,993,703	859,904

¹ Of this Amount £6,010,020 was redeemed by the operation of the Ordinary, and £108,100 by that of the Extraordinary Sinking Fund.

² Of this Amount £1,047,800 was redeemed by the operation of the Ordinary, and £846,720 by that of the Extraordinary Sinking Fund.

³ Costing £3,725,096. 2s. 4d.

SUMMARY.

Amount Outstanding	£ 80,993,703
„ Redeemed	10,372,220
„ Forfeited	859,904
Total under the Decree ...	<u>£92,225,827</u>

The following is a statement of the Receipts and Expenditure of the Council of Administration of the Ottoman Public Debt for the last two years :—

Items.	1894-5.*	1895-6.
Salt	£	£
Spirits		
Stamps		
Fisheries	994,941	946,955
Silk		
Arrears of Tobacco... ..		
Tobacco Tithe	93,741	92,774
Revenue of the Tobacco Administration (Régie Company)	681,818	681,818
	1894-5.	1895-6.
	£	£
Share in the Profits of the Administration	50,967	51,042
Partial repayment of advances	36,428	36,481
Total	87,395	87,523
Less retrocession of Refstieh...	45,454	45,454
	41,941	42,069
Excess of Customs Receipts ... ..	...	...
Excess of the Patents Duties ... ..	...	...
Revenue of Eastern Roumelia	138,205	138,205
Bills on the Customs Cyprus	93,269	93,269
Do. do. Tombeki	45,454	45,454
Total	2,089,369	2,040,544
To be deducted—		
Expenses of Central Administration (Council, Management and Great Book)	76,965	79,750
Loss of Exchange on the East Roumelian Revenue	1,073	358
Settlement of Expenses and Commission for the service of the Debt	14,674	14,154
Exchange Losses on Remittances to Europe	5,208	8,249
Total	97,920	102,511
Less interest on available Funds	5,205	4,819
Total	92,715	97,692
Nett Total available for the Debt ...	1,996,654	1,942,852

* The discrepancies between the figures under this heading and those given last year are due to the final account's not having been closed when last year's Report was published.

There has been, as shown above, a decrease in the Receipts, which has already been explained in the Preliminary Report recently published by the Council of Administration.

TOBACCO RÉGIE.

The following Table shows the Receipts of the Tobacco Régie during the twelve months of the last financial year, as compared with the corresponding months of 1894-5 :—

Months.				1894-95. Receipts.	1895-96. Receipts.	Difference + or —.
				£T.	£T.	
March	...	...	...	165,000	172,000	+ 7,000
April	...	...	...	186,000	185,000	— 1,000
May	...	...	...	208,000	221,000	+ 13,000
June	...	...	...	216,000	222,000	+ 6,000
July	...	...	...	200,000	202,000	+ 2,000
August	...	...	...	210,000	208,000	— 2,000
September	...	...	...	202,000	190,000	— 12,000
October	...	...	...	202,000	182,000	— 20,000
November	...	...	...	198,000	170,000	— 28,000
December	...	...	...	190,000	156,000	— 34,000
January	...	...	...	180,000	168,000	— 12,000
February	...	...	...	172,000	145,000	— 27,000
Total	...	...	...	2,329,000	2,221,000	— 108,000

The considerable decrease in the receipts of the Tobacco Régie during the last seven months of the year, is mainly due to the disordered state of the Provinces, and to the recrudescence of contraband, arising from a less strict supervision on the part of the Government authorities.

RESERVE FOR INTEREST.

This Fund now amounts to £T.414,551, which would more than suffice for the distribution of an extra $\frac{1}{4}$ per cent. interest for the present year. The Council of Administration, with whom lies the decision, have not, however, changed the opinion attributed to them in the Report for last year, to the effect that it would be unwise to pay an additional percentage unless there were a strong probability of maintaining the increased rate.

LOTTERY BONDS.

The account for the special redemption of the Lottery Bonds instituted in 1888 is as follows:—

STATEMENT OF "LOTS TURCS" PURCHASED FOR REDEMPTION TO THE 12TH MARCH, 1896.

Years.	"Lots Turcs" Purchased.		"Lots" Redeemed.	
	Number.	Cost.	Number.	Cost.
		£T.		£T.
1888-89	10,993	21,844'73	17	33'81
1889-90	11,228	33,828'52	39	89'77
1890-91	9,594	32,566'41	50	133'40
1891-92	10,133	30,913'90½	75	213'08
1892-93	3,600	13,109'52½	85	244'58
1893-94 ... ..	...	...	96	279'54
1894-95 ... ..	...	...	87	253'34
1895-96	1,500	8,246'83	100	291'19
	47,048	140,509'92	549	1538'71
Less "Lots" Redeemed ...	549	1,538'71		
Balance at date ...	46,499	138,971'21		

PREMIUMS AND REDEMPTIONS.

Years.	"Lots" Redeemed.	
	Number.	Premiums.
		£T.
1888-89	17	137'67
1889-90	39	964'96
1890-91	50	451'65
1891-92	75	784'27
1892-93	85	775'46
1893-94	96	8,855'46
1894-95	87	883'96
1895-96	100	1,530'77
	549	14,384'20
Purchased to date 909 "Lots"...		2,998'76
		11,385'44
Add $1\frac{1}{2}$ per cent. interest ...		286'16
Balance available ..		11,671'60

SUMMARY.

"Lots" Purchased, with the amount assigned under the Decree	46,499
" " with Premiums	909
Total "Lots" Purchased	<u>47,408</u>

In spite of every effort on the part of the Council of Administration to obtain the consent of the Government to the proposal as to the modification of the existing Arrangement with respect to "Lots Turcs," put forward by the Austro-Hungarian Syndicate three years ago (See Appendix to Report for 1892, p. 239), no definite reply is yet forthcoming, although the Council of Ministers on three

occasions, and Special Commissions on two, have reported favourably on that proposal. Seeing the impossibility of breaking through this inexplicable silence, and reluctant to keep unemployed the considerable sums of money which had accrued to the credit of the Lottery Bonds account, the Council of Administration has resumed its purchases of Lottery Bonds under the old system, while continuing to press the Government to obtain the Imperial sanction to the proposal above-mentioned, of which, by the resumption of purchases, only the retroactive effect has been abandoned. The course thus taken, under the circumstances, appears to be wise.

ADMINISTRATION OF REVENUES AFFECTED TO NEW LOANS.

As already set forth in Sir Vincent Caillard's prefatory remarks to the recently-published Preliminary Report of the Council of Administration, the aid of that Council was invoked, at the close of the financial year, to enable the Government to raise a loan of £2,975,200, bearing an interest of five per cent., and a Sinking Fund of one-half per cent., to meet the needs of the Treasury. (For details see History of the Debt, p. 320). The proceeds of the revenues assigned to the service of the Loan are to be handed over to the Council of Administration, which has also a certain control over their investment and administration. It is a question for anxious and careful consideration whether the Council of Administration should any further lend its name to loans, the security for which stands on a different footing from that of the Ottoman Public Debt, for the administration of which it was origi-

nally constituted,—and whether in any case it is politic to facilitate the pledging of present revenues by the Government, which, as matters already stand, has some difficulty in making the two ends meet. Under the special circumstances of the present case neither the Council of Foreign Bondholders nor the English Delegate considered that it would be wise to withhold their consent. But the question as to the future is now being fully discussed, and the Council of Foreign Bondholders has placed itself in communication with the various Foreign “Syndicates” in regard to it.

URUGUAY.

NEW CONSOLIDATED THREE AND A-HALF PER CENT.
EXTERNAL DEBT.

Amount issued for Conversion of Debt under				
Arrangement of August, 1891	...	...	...	£19,300,000
Amount reserved for claims in connection				
with the Western Railway construction,				
and issued in 1896.	...	...	...	1,200,000
				<u>£20,500,000</u>
Less redeemed	...	...	...	576,340
				<u>£19,923,660</u>
Five per Cent. Loan of 1896 (issued June, 1896)				1,667,000
Total				<u><u>£21,590,660</u></u>

Uruguayan Committee.

Rt. Hon. Sir Edward Thornton,
G.C.B., *Chairman*.
L. J. Baker, Esq., J.P.
W. H. Bishop, Esq.
C. T. D. Crews, Esq.
W. R. Farquhar, Esq.
L. Fitzwygram, Esq.
R. Fleming, Esq.
Hon. Sir C. W. Fremantle,
K.C.B.

A. Henderson, Esq.
G. Herring, Esq.
Rt. Hon. Sir John Lubbock,
Bart., M.P.
Ross Pinsent, Esq.

Secretary.
James P. Cooper, Esq.

Area	72,000 square miles.
Population (1895)	823,000.
Capital, Montevideo. Population	243,700.
External Debt per head	£26. 5s.
President (1894-8)	Don Juan Idiarte Borda.
Minister and Consul-General of Great Britain in Uruguay	Walter Baring, Esq.
Minister and Envoy of Uruguay in Great Britain	Dr. Alberto Nin.
Agents of the Bondholders in Montevideo	The London and River Plate Bank.

HISTORY OF THE DEBT (FOREIGN).

1864.—The first Uruguayan Loan raised in England was known as the Montevidean Six per Cent. Loan. It was issued in 1864 by Messrs. Maua, Macgregor & Co. at 60 per cent., and its object was the conversion of Internal Liabilities.

1871.—An issue of £3,500,000 Bonds, bearing 6 per cent. interest and $2\frac{1}{2}$ per cent. Sinking Fund, was made at 72 per cent. by Messrs. Thomson, Bonar & Co., and was known as the Consolidated Six per Cent. Loan. Holders of the Montevidean Six per Cent. Bonds were given the option of exchanging Bond for Bond into this Loan.

1876-8.—The service of the Debt was suspended.

1878.—Interest Bonds were issued in respect of the four unpaid Coupons, amounting to £371,520, bearing $1\frac{1}{2}$ per cent. interest. The interest on the 1871 Loan was reduced to $2\frac{1}{2}$ per cent. for a period of five years, after which full payment of 6 per cent. was to be resumed.

1883.—The Government's proposal to consolidate the Internal Debt, amounting to £6,808,500, and the External Debt of £3,467,500 into a Five per Cent. Unified Debt for £10,276,000, was accepted by the Bondholders. New Bonds for the nominal amount of £11,127,000 were issued, the difference, viz.,

£851,000, being handed to the Bankers of the Government. A Sinking Fund of $\frac{1}{4}$ per cent. was to be applied by quarterly drawings at par. The External Bonds of 1871 were exchanged at par.

1888.—Messrs. Baring Bros. & Co. issued a Six per Cent. Loan for £4,255,300, with 1 per cent. Sinking Fund at $82\frac{1}{2}$ per cent. The object of this Loan was the redemption of the Internal Debt, any balance to be applied to public works.

1890.—A Six per Cent. Loan of £1,980,000 was made to the Government by Messrs. Baring Bros. & Co. This was not issued to the public.

1891.—The Government were not able to meet the Coupons on the External Debt falling due in September and October, 1891.

An arrangement was accepted providing for the Conversion of the Loans of 1883, 1888, and 1890, amounting to £16,724,300 with arrears of interest to 1st February, 1892, £625,572, total £17,349,872, into a New Consolidated Debt, bearing $3\frac{1}{2}$ per cent. interest at the following rates:—

£105 in New Bonds for each £100 of the Five per Cent. Unified Loan of 1883 with Coupons of October, 1891, attached.

£115 in New Bonds for each £100 of the Six per Cent. Loan of 1888, with Coupons of September, 1891, attached.

£113 in New Bonds for each £100 of the Six per Cent. Loan of 1890, with Coupons of November, 1891, attached.

The total amount of New Bonds authorised was £20,500,000, out of which £1,200,000 were reserved to provide for claims in connection with the Uruguay Western Railway construction. (These Bonds have since been issued. *See below.*) The amount of New Bonds issuable in respect of the three External Loans at the above-mentioned rates was £18,130,905. The arrears of guarantee due the Railway Companies to December 31st, 1891, were settled for £633,000 New Bonds, the balance being applied to the expenses of Conversion, etc. Total £19,300,000. The first quarterly Coupon on the New Consolidated Debt was paid on May 1st, 1892.

For the service of the Debt 45 per cent. of the Customs

Receipts of the Republic were specially hypothecated. Out of these proceeds are also paid the amounts falling due for Railway Guarantees from December 31st, 1891, reduced from 7 per cent. to $3\frac{1}{2}$ per cent. on £5,000 per kilometre. Provision is made as the earnings of the Railways increase for the release of part of the interest guaranteed.

Any balance of the proceeds of the 45 per cent. of the Customs Receipts after providing for the foregoing, and for the expenses of the Debt service, to be applied annually to amortisation of the Debt by purchase or tenders when the Bonds are below par, and when above, by drawings for redemption at par,

Any excess after providing sufficient for an accumulative Sinking Fund of 1 per cent. on the total Debt to be returned to the Government.

1896.—The unused Bonds, amounting to £1,200,000, reserved to provide for claims in connection with the Uruguay Western Railway, were handed over to the Government.

1896.—A new Loan for £1,667,000 was issued by Messrs. Glyn, Mills, Currie & Co., at $71\frac{1}{2}$. Interest at 5 per cent., and principal redeemable by a Cumulative Sinking Fund of 1 per cent. per annum by means of half-yearly drawings at par, or by purchase when under par. The Loan is specially secured by a first charge on $5\frac{1}{2}$ per cent. of the gross revenues of the Custom Houses of the Republic, collected daily in the same manner as in the case of the Consolidated Debt.

The proceeds of the Loan are to be employed in forming the initial Capital of the Banco de la Republica.

REPORT.

SERVICE OF THE EXTERNAL DEBT.

The Government of Uruguay has, during the past year, continued to provide with the utmost regularity for the service of the External Debt and of the Railway Guarantees.

The proceeds of the 45 per cent. of the Customs Duties assigned to these purposes during 1895 again show a considerable increase, and the Government were able, in

January last, to arrange for a further reduction of the Debt by means of the Sinking Fund.

According to the estimate made by the Government, as shown in the annexed Tables, the excess of the 45 per cent. of the Customs Duties, after providing for the payment of Interest and Railway Guarantees, amounted to £162,708. 6s. 3d.

This sum, being available for the Sinking Fund, was apportioned as follows:—

In London	...	...	...	...	...	£142,414	13	9
In Montevideo	...	...	...	...	...	19,585	6	3
						<u>£162,000 0 0</u>		

Messrs. Glyn, Mills, Currie & Co. issued their usual advertisement calling for tenders for the above-named amount (£142,415) on February 10th. The bids accepted ranged from £48. 9s. to £49. 3s. 3d. per cent., the mean price being £48. 16s. 5d. Bonds to the amount of £291,200 were bought in.

In Montevideo sixty-six tenders were sent in, ranging from £47.49 to £50 per cent. Only ten of these were accepted, at prices ranging from £47.59 to £47.65.

A total of £41,100 was redeemed at a mean rate of £47. 12s. 7d.

The application of the Sinking Fund has therefore resulted up to the present as follows:—

Bonds Redeemed February, 1895	...	...	...	...	£244,040
„ „ February, 1896	...	...	...	...	332,300
Total	...	...	...	...	<u>£576,340</u>

UNISSUED BONDS OF 1891.

The Council have been notified by Messrs. Glyn, Mills, Currie & Co. that, in accordance with Sub-section E of

Article II of the Arrangement of 26th August, 1891, they have made arrangements to hand over the £1,200,000 unissued Bonds deposited with them under that Arrangement.

These Bonds are to be applied as follows :—

£600,000 Bonds to the settlement, made with the sanction of the Legislative Power, of the claims of the Uruguay Company, Limited, in respect of the construction of the Western Railway from Monte Video to Colonia.

£600,000 Bonds to the payment to Señor Don Juan B. Medici for the completion of the construction of the Western Railway in accordance with the Contract entered into with him.

NEW LOAN.

On December 9th, 1895, the Executive forwarded to Congress a Draft Bill in which authority was asked to contract for a Loan in London of an amount which would produce a nett sum of \$5,000,000 gold, to be applied to the formation of the initial Capital of a State Bank to be called the "Bank of the Republic," and to be established in Monte Video.

This Bill was sanctioned by Legislative Decree on the 13th March, 1896. The prospectus of the Loan was issued by Messrs. Glyn, Mills, Currie & Co. at the end of June. The issue price is $71\frac{1}{2}$; the interest is payable quarterly, on the 1st October, 1st January, 1st April, and 1st July. The Bonds bear 5 per cent. Interest, and the Principal is redeemable by an Accumulative Sinking Fund of 1 per cent. per annum. The Loan is secured by a first

charge on $5\frac{1}{2}$ per cent. of the gross Revenues of the Custom Houses of the Republic, being part of the 55 per cent. of the said Receipts which have not been charged for the purpose of the existing Three and a-Half per Cent. Consolidated Debt of the Republic, and which are to be collected daily in the same manner as in the case of the Consolidated Debt. The Government of Uruguay is entitled, on giving six months' notice, to increase the Sinking Fund or redeem the Loan at par, as it may deem fit.

REVENUE FOR 1893-4 AND 1894-5.

The corrected returns of the Revenue for 1893-4 and 1894-5 are as follows:—

Source.	1894-5.	1893-4.
	\$	\$
Custom Houses	10,106,806	9,832,155
Property Tax	1,765,156	1,820,823
Licenses	894,149	857,470
Stamped Paper	352,615	360,802
Fiscal Stamps	231,425	201,162
Factory Tax	507,120	410,242
Post Office	231,501	217,091
Public Instruction... ..	375,826	258,847
Ports	22,993	15,551
Legacy Duties, etc.	183,865	182,968
Police Taxes	58,778	56,701
Marks and Brands... ..	2,700	2,715
Public Credit, Commissions	2,554	4,861
Provincial Administrations	81,712	200,426
Seal Fishery	39,000	7,000
One per cent. Discount on Payments	68,612	91,773
Civil and Military Pawnbroking Establishment... ..	52,000	50,000
Total	14,976,818	14,570,555

NOTE.—The above Table shows as regards 1893-4 a considerable increase on the amount given by the President in his Message in February, 1894, the reason probably being that at the time of the delivery of that Message the returns had not been fully made up.

EXPENDITURE FOR 1893-4 AND 1894-5.

No detailed liquidation of the Budget for these years has yet appeared. It should be however remembered that the Budget for 1893-4 still remained in force for 1894-5, and the Expenditure authorised in this Budget was \$13,647,925.

BUDGET, 1895-6.

In presenting the Estimates for the year 1895-6 to the Legislative Assembly in June, 1895, the Executive Government explained that they had taken as their basis the actual yield for the period 1893-4, that for 1894-5 not being then known. It was regarded as certain, according to the information in the hands of the Executive, that in the approaching period the amount would be at least equal, if not in excess of that for 1893-4.

The Revenue for 1895-6 was estimated

at	\$14,570,555.59
and the Expenditure at	<u>14,378,815.80</u>
leaving an apparent surplus of	<u>\$ 191,739.79</u>

These estimates were referred to a Committee of the Legislature specially appointed to consider and report thereon.

The Report of the Budget Committee was issued about the beginning of November, 1895, and stated that, whereas the Executive Government had based its estimates on the Revenues of 1893-4, the Committee had substituted

an estimate based on the average of the Revenues for 1893-4 and 1894-5, which by that time were known.

In the result the Committee presented a new Budget with various alterations and amendments, whereby a surplus was shown of about \$400,000.

AMENDED BUDGET FOR 1895-6.

REVENUE.

	\$
Customs	9,969,481.29
Property Tax	1,729,989.93
Licenses	875,809.85
Stamped Paper	356,700.87
Revenue Stamps	216,294.01
Factory Taxes	458,681.60
Post Offices	224,296.74
Public Instruction... ..	317,337.10
Ports	19,272.54
Duties on Legacies, Deeds of Gifts, Powers of Attorney, Patents, Trade Marks, etc. ...	224,486.29
Police Taxes	57,739.97
Cattle and Sheep Brands... ..	2,707.50
Office of Public Credit, Commission, etc. ...	3,708.03
Municipal Boards of Departments	100,000.00
Seal Fisheries	39,000.00
One per cent. Discount on Payments	68,612.51
Civil and Military Pawnbroking Establishment	52,000.00
Total ...	<u>\$14,779,126.23</u>

EXPENDITURE.

	\$
Legislative Power... ..	508,144.64
Presidency of Republic	71,334.00
Ministry of Foreign Affairs	162,681.13
Ministry of Government	2,385,346.25
Municipal Boards of Departments	100,000.00
Ministry of Finance	961,818.18
Ministry of Foment	1,079,377.46
Ministry of War and Marine	1,883,140.27
National Obligations	7,223,236.32
Total ...	<u>\$14,375,078.25</u>

The above Budget, as recommended by the Committee, was again referred to Congress for ratification. The

time during which this sanction had to be given expired, however, without any action on the part of Congress, and the Budget Bill consequently lapsed. In view of this result the Committee submitted the same project (but with the modifications made by Congress up to the time of the lapsing of the Bill) as the Budget for 1896-7, as follows :—

BUDGET ESTIMATES FOR 1896-7.

REVENUE.

	\$
Customs	10,600,000.00
Property Tax	1,765,156.15
Licenses... ..	894,149.62
Stamped Paper... ..	352,615.70
Revenue Stamps	231,425.66
Factory Taxes	507,120.30
Post Offices	231,501.52
Public Instruction	375,826.48
Ports	22,993.49
Duties on Legacies, Deeds of Gift, Powers of Attorney, Patents, Trade Marks, etc.	183,865.18
Police Taxes	58,778.27
Cattle and Sheep Brands	2,700.00
Office of Public Credit, Commissions... ..	2,554.57
Administrative Boards of Departments	200,000.00
Seal Fisheries	32,000.00
One per cent. Discount on Payments... ..	68,612.51
Civil and Military Pawnbroking Establishment	52,000.00
Total	<u>\$15,581,299.45</u>

EXPENDITURE.

	\$
Legislative Power	508,144.64
Presidency of Republic	71,334.00
Ministry of Foreign Affairs	175,881.13
Ministry of Government... ..	2,414,773.81
Administrative Boards of Departments	200,000.00
Ministry of Finance	968,298.18
Ministry of Foment	1,079,377.46
Ministry of War and Marine	1,883,140.27
National Obligations	7,333,836.32
	<u>\$14,634,785.81</u>

PUBLIC DEBT.

The following Table relates to the movement in the Public Debt which took place in the year 1895, and was supplied to *El Siglo* by the Public Credit Office in Montevideo :—

Name of Debt.	Amount on 1st Jan. 1895.	Amount redeemed in 1895.	Amount on 31st Dec. 1895.	Interest paid during 1895.	Cost of Amortiza- tion in 1895.	Total Cost Interest and Amortization in 1895.
INTERNAL.	\$	\$	\$	\$	\$	\$
Railway Debt..	94,478.09	..	94,478.09	..	..	In suspense.
Internal Uni- fied Debt ..	7,119,450.00	241,400*	6,878,050.00	282,372.00	112,628.00	395,000.00
Guarantee Debt	3,875,200.00	45,000*	3,830,200.00	155,008.00	44,992.00	200,000.00
EXTERNAL.						
Consolidated Dt.	90,561,950.00	1,146,988	89,414,962.00	3,139,559.81	569,103.57	3,708,663.38
INTERNATIONAL.						
Italian Debt ..	424,150.00	60,000*	364,150.00	20,457.50	60,000.00	80,457.50
French Debt ..	834,725.14	100,000	734,725.14	33,288.08	100,000.00	133,288.08
Spanish Debt ..	213,700.00	10,500	203,200.00	10,467.43	10,445.28	20,912.71
Br-azilian Loan..	3,482,500.00	36,000*	3,446,500.00	173,687.50	36,312.50	210,000.00
Total \$	106,606,153.23	1,639,888	104,966,265.23	3,814,841.22	933,481.35	4,748,322.57

* Including redemption to be effected in January, 1896.

TRADE STATISTICS

The following Tables, compiled from official sources, show that the improvement in the commerce of Uruguay which commenced in 1893 was continued during 1895. Although the total value of the Exports in 1895 was less than that for 1894, still the balance of trade for the year remained in favour of the Republic.

NATURE AND VALUE OF IMPORTS DURING YEARS 1892-5.

Articles.	1892.	1893.	1894.	1895.
	\$	\$	\$	\$
Wines and Liquors	2,632,988	2,664,154	2,966,835	3,259,066
Food Products ...	4,245,150	4,141,646	3,888,916	4,140,018
Tobacco and Cigars	330,601	270,146	254,646	218,629
Dress Goods and other Fabrics ...	3,113,255	3,893,314	5,014,993	4,856,114
Ready-made Cloth- ing ...	1,136,368	1,198,696	1,527,065	1,380,871
Machinery and In- dustrial Materials	4,396,940	4,560,822	6,193,138	6,428,994
Miscellaneous ...	2,375,424	2,377,154	3,025,276	3,246,744
Live Stock ...	173,570	565,704	929,501	1,855,670
Total ...	18,404,296	19,671,636	23,800,370	25,386,106

Increase in 1893 over 1892	...	...	...	=	\$1,267,340
" 1894 " 1893	...	...	...	=	4,128,734
" 1895 " 1894	...	...	...	=	1,585,736

NATURE AND VALUE OF EXPORTS DURING 1892-5.

Articles.	1892.	1893.	1894.	1895.
	\$	\$	\$	\$
Live Animals ..	1,114,927	710,382	871,399	1,004,479
Fresh and Pre- served Meats ...	24,273,559	25,776,952	28,196,806	27,474,987
Farm Products ...	139,300	767,971	3,950,218	3,735,776
Miscellaneous Pro- ducts ...	308,087	335,348	337,545	237,747
Provisions for Ves- sels ...	115,946	90,716	123,543	90,655
Total ...	25,951,819	27,681,369	33,479,511	32,543,644

Increase in 1893 over 1892	...	...	...	...	\$1,729,550
" 1894 " 1893	...	...	...	...	5,798,142
" 1894 " 1895	...	...	...	...	935,867
Balance of Trade in favour of the Republic in 1895...					7,157,538

In connection with the foregoing Table, the following is a summary of the principal Exports of Live Stock and Agricultural Produce for the year 1895 :—

LIVE-STOCK PRODUCE.

Wool	kilos	50,765,037
Dried Ox-hides	No.	663,828
Salted ditto	"	871,816
Dried Horse-hides	"	11,555
Salted ditto	"	20,753
Calf Skins	"	1,175
Ditto	kilos	397,135
Kip Skins	"	58,529
Ditto	No.	1,164
Sheep Skins	kilos	6,826,581
Lamb ditto	"	94,882
Various Skins (Wild)	"	28,936
Seal Skins	No.	16,521
Hair	kilos	785,247
Ostrich Feathers	"	24,246'

AGRICULTURAL PRODUCTS.

	Kilos.	
Bran	4,587,229	
Chaff (<i>afrechillo</i>)	978,641	
Birdseed	873,657	
Lucerne	1,886,679	
Barley	657,266	
Wheat Flour	11,062,588	
Maize	67,645,707	
Fodder	651,174	
Broom Straw	142,010	
Linseed, Grain	639,805	
Ditto, Paste	349,789	
Beans	632,306	
Potatoes	86,394	
Pea Nuts	24,960	
Wheat	99,964,568	

THE FOLLOWING TABLE SHOWS THE CUSTOMS RECEIPTS FROM IMPORTS AND EXPORTS FOR 1895, COMPARED WITH THE TOTAL RETURNS FOR 1894, MONTH BY MONTH IN EACH YEAR.

Month.	1895.			Totals, 1894.	1895. Increase or Decrease.
	Import Duties.	Export Duties.	Totals.		
January	\$ 744,452.29	\$ 143,600.45	\$ 888,052.74	\$ 926,016.24	— 37,963.50
February	723,690.92	178,531.86	902,222.78	913,523.35	— 11,300.57
March	831,262.64	205,391.62	1,036,654.26	1,054,268.87	— 17,614.61
April	920,901.95	194,958.96	1,115,860.91	1,009,226.58	+ 106,634.33
May	771,594.39	136,277.87	907,872.26	863,474.69	+ 44,397.57
June	538,051.51	128,563.61	666,615.12	786,984.22	— 120,369.10
July	745,931.78	136,188.06	882,119.84	731,246.13	+ 150,873.71
August	718,799.12	92,962.13	811,761.25	887,467.40	— 75,706.15
September	816,655.17	48,966.16	865,621.33	811,800.99	+ 53,820.34
October	812,274.67	68,385.31	880,659.98	865,718.63	+ 14,941.35
November	698,079.24	80,957.01	779,036.25	697,099.04	+ 81,937.21
December	720,000.00	130,000.00	850,000.00	760,000.00	+ 90,000.00
	\$9,041,693.68	1,544,783.04	10,586,476.72	10,306,826.14	

Total Customs Receipts for 1892 ...	...	\$8,610,298.00
" " " " 1893 ...	...	8,950,047.15
" " " " 1894 ...	...	10,306,826.14
" " " " 1895 ...	...	10,586,476.72

The Increase in 1893 over 1892 being ...	349,749.15
" " 1894 " 1893 " ...	1,356,778.99
" " 1895 " 1894 " ...	279,650.58

The Customs Receipts in January, 1896, were \$922,299.98	
" " " February " " 974,057.75	
" " " March " " 1,099,644.31	

Total for the first Quarter, 1896 ... \$2,996,002.04

Same Quarter, 1895... ..	\$2,821,855.29
" " 1894... ..	2,881,389.64
" " 1893... ..	2,337,121.24

For the first five months of 1896, the Customs Receipts are stated to have amounted to \$4,806,000.

The course of trade for the last four years is as follows :—

	1892.	1893.	1894.	1895.
	\$	\$	\$	\$
Exports	25,951,819	27,681,369	33,479,511	32,543,643
Imports	18,404,296	19,671,635	23,800,370	24,596,193
Excess of Exports .	7,547,523	8,009,733	9,679,141	7,947,450

WOOL.

According to figures supplied by one of the leading Export Houses in Montevideo to *El Siglo*, and published by that paper in its annual review of the commerce of the country, the amount of wool exported during the last three seasons has been as follows :—

								Bales.
1893-4	...	...	...	...	...	...	...	80,995
1894-5	...	...	...	...	...	...	...	91,985
1895-6 (estimated)	...	...	...	...	...	...	...	100,000

It is worthy of note that the average price obtained by the wool-grower has been during the 1895-6 season from 40 to 50 cents. higher than in the preceding season.

SALADEROS.

El Siglo also gives the following figures showing the movement in this industry for five seasons. In view of the large demand made by Brazil and Cuba for jerked beef (charqui), and of the increasing consumption in Europe of tinned and frozen meat, this business is one of the most important factors in the country's rural products.

The Tables show also the head of cattle slaughtered at the Argentine saladeros, as well as at those situated in Brazilian territory but maintained by Uruguayan capital and supplied with Uruguayan cattle.

CATTLE SLAUGHTERED IN SALADEROS.

	Uruguay.	Argentina.	Brazil.	Total.
1890-1	613,500	844,600	518,000	1,976,100
1891-2	636,400	766,000	561,400	1,963,800
1892-3	747,500	741,800	519,100	2,008,400
1893-4	846,100	638,200	511,500	1,995,800
1894-5	869,500	732,800	354,900	1,957,200.

SHIPPING.

The shipping movement for the years 1889 to 1895 for all the ports of the Republic was as follows :—

Year.	Entered.		Cleared.	
	No.	Tons.	No.	Tons.
1889	17,890	6,251,365	17,692	6,193,097
1890	16,169	5,598,768	16,044	5,744,126
1891	13,670	4,742,260	13,537	4,740,384
1892	12,765	4,980,043	12,689	4,986,905
1893	13,992	5,428,439	13,864	5,397,913
1894	13,528	5,453,744	13,411	5,410,801
1895	12,921	5,392,887	12,732	5,855,994

The subjoined Table shows the amounts produced by the 45 per cent. of the Customs Duties in 1895 as compared with 1894 and previous years, and also the total amounts remitted to London in sterling for the service of the External Debt and the Railway Guarantees.

The amounts produced from the same source during the current year, up to the date of the publication of this Report, are shown in the following Table :—

1896. Dates of Fortnightly Remittances.	Proceeds of 45 per cent. of the Custom Dues paid to the Agents in Montevideo.	\$	Amounts re- tained from 45 per cent. of the Custom Dues paid to the Service of Debt in Montevideo.	Remittances made to Messrs. Glyn, Mills, Currie & Co. for Service of Debt in London.		Rate of Ex- change	1895 Amounts re- ceived by Messrs. Glyn, Mills & Co. for Service of Debt in London.	Increase in 1896.		Decrease in 1896.			
				In Dollars.	In Sterling.			£	s.	d.	£	s.	d.
January, 1st Fortnight..		191,152.82	Nil	191,152.82	40,819 1 10	5 1/4	30,105 18 5	10,713	3 5	..	..
" 2nd do. ..		218,916.96	188,694.72*	30,222.24	6,437 19 4	5 1/8	10,021 3 0	..	..	3,583	3 8
February, 1st do. ..		270,778.02	Nil	270,778.02	57,822 7 10	5 1/4	41,645 17 2	16,176	10 8	..	..
" 2nd do. ..		162,793.31	Nil	162,793.31	34,763 3 1	5 1/4	39,792 14 9	..	..	5,039	11 8
March 1st do. ..		246,142.42	Nil	246,142.42	52,433 9 3	5 1/8	40,141 5 3	12,292	4 0	..	..
" 2nd do. ..		245,264.03	Nil	245,264.03	51,990 17 4	5 1/8	49,994 18 0	1,995	19 4	..	..
April, 1st do. ..		154,256.52	Nil	154,256.52	32,618 16 6	5 1/4	40,560 15 4	..	..	7,941	18 10
" 2nd do. ..		305,948.19	102,766.14	203,182.05	42,964 10 9	5 1/4	36,538 15 11	6,435	14 10	..	..
May, 1st do. ..		187,484.83	Nil	187,484.83	39,645 4 7	5 1/8	51,091 2 11	..	..	11,445	18 4
" 2nd do. ..		180,171.18	Nil	180,171.18	38,286 7 6	5 1/4	41,740 6 6	..	..	3,453	19 0
June, 1st do. ..		151,251.57	Nil	151,251.57	32,140 19 2	5 1/4	43,052 0 9	..	..	10,911	7 7
" 2nd do. ..		159,838.15	Nil	159,838.15	33,969 17 2	5 1/4	29,737 12 11	4,232	4 3	..	..

* Retained for Local Service of Interest .. \$66,643.75
 " " Sinking Fund.. .. 92,050.97
 \$188,694.72

The Office of Public Credit in Montevideo has published the following Statement of the amounts yielded by the 45 per cent. of the Customs Duties assigned to the service of the Three and a-Half per Cent. Consolidated Debt and Railway Guarantees since the Law of the 26th August, 1891, came into operation, showing also the manner in which the said amounts have been applied :—

SERVICE IN LONDON.

	£	s.	d.	\$
16 Quarterly Coupons, paid 1st May, 1892, to 1st February, 1896	2,344,731	0	6	11,020,235.82
Commission, $\frac{1}{2}$ per cent.	11,723	13	1	55,101.18
Railway Guarantees	694,546	10	0	3,264,368.55
Expenses	1,576	13	6	7,410.37
1st Amortization— Purchase of £211,400 = £105,257 7 6 Commission, $\frac{1}{4}$ per cent. = 263 2 11	105,520	10	5	495,946.45
Loss by exchange	3,158,142	13	2	14,843,270.50
2nd Amortization— The proportion corresponding to the amount of Bonds held in London, calcu- lated at £16,724,460 = £142,414 13 9 Commission, $\frac{1}{4}$ per cent. = 356 0 9	142,770	14	6	671,022.41
Balance carried forward to 17th quarter (1st May, 1896)	3,300,913	7	8	15,572,918.05
	352	5	6	1,655.69
Total Service in London	3,301,265	13	2	15,574,573.74

SERVICE IN MONTEVIDEO.

	£	s.	d.	\$
16 Quarterly Coupons, paid 1st May, 1892, to 1st February, 1896	344,317	11	6	1,618,292.60
1st Amortization— Purchase of £32,640	15,828	9	9	74,393.90
2nd Amortization— The proportion corresponding to the amount of Bonds held in Montevideo, calculated at £2,300,000	360,146	1	3	1,692,686.50
	19,585	6	3	92,050.97
Total Service in Montevideo	379,731	7	6	1,784,737.47

RECAPITULATION.

	£	s.	d.	\$
Service of Debt in London for 16 Quarterly Coupons and one amorti- zation	3,158,142	13	2	14,843,270.50
Ditto in Montevideo for do.	360,146	1	3	1,692,686.50
	3,518,288	14	5	16,535,957.00
Loss by Exchange	12,473	8	8	58,625.15
Excess, applicable to the Second Amortization of the Consolidated Debt, in accordance with Article 7 of the Arrangement of the 26th August, 1891	162,708	6	3	764,729.07
Grand Total	3,693,470	9	4	17,359,311.21

Carried to the Sinking Fund Account £162,708. 6s. 3d.

	£	s.	d.	\$
For LONDON—				
Proportion on a circulation calculated at £16,724,460	142,414	13	9	669,349.03
Commission 1%	356	0	9	1,673.38
For MONTEVIDEO—				
Proportion on a circulation calculated at £2,300,000	19,585	6	3	92,050.97
	162,356	0	9	763,073.38
Balance, carried to 17th Quarter (1st May, 1896)	352	5	6	1,655.69
	162,708	6	3	764,729.07

VENEZUELA.

	£	s.
External Debt of 1881 outstanding 1st April, 1896	2,646,800	0
Amount of Arrear Interest (Coupons 24/5) ...	£79,779	0
Deduct Certificates drawn for repayment (Sept., 1894, to March, 1896) ...	45,730	10
	<hr/>	34,048 10
		<hr/>
	£2,680,848	10
	<hr/>	

NOTE.—A Loan of Bols. 50,000,000 has been recently authorised for the settlement of the Railway Guarantees and other purposes (*see below*).

Venezuelan Committee.

Right Hon. Sir John Lubbock, Bart., M.P., <i>Chairman</i> .	F. P. Obicini, Esq. Captain F. Pavy.
Hon. Sir C. W. Fremantle, K.C.B.	General Sir Luther Vaughan, K.C.B.
John Abbott, Esq.	
M. Castello, Esq.	
Roger Eykyn, Esq.	<i>Secretary.</i>
W. Cuthbert Quilter, Esq., M.P.	James P. Cooper, Esq.

Area ...	593,940 square miles.
Population (1891) ...	2,323,500.
Capital, Caracas. Population (1893) ...	80,000.

External Debt per head (exclusive of interest in arrear)—
£1. 3s.

President	Gen. Joaquin Crespo.
Consul-General for Venezuela in	
Great Britain	Dr. Elias Rodriguez.

The Diplomatic relations of Great Britain with Venezuela have been suspended since 1887

HISTORY OF THE DEBT (FOREIGN).

1819-1834.—*See* Colombia.

1834.—By the Convention of 1834 Venezuela assumed $28\frac{1}{2}$ per cent. of the original Colombian Debt, or £1,888,396, upon which the arrears of interest amounted to £906,400; total, £2,794,795.

1841.—A Settlement was made on the following terms :—

“Active” Bonds to the amount of £1,900,000 were issued to represent the principal of the Debt, and were to bear interest at the rate of 2 per cent. for the first seven years, increasing $\frac{1}{4}$ per cent. annually, until the maximum rate of 6 per cent. should be attained.

“Deferred” Bonds were issued in satisfaction of the arrears of interest to the amount of £1,500,000. These Bonds were to carry interest from 1st October, 1852, at 1 per cent. per annum, and to increase $\frac{1}{4}$ per cent. annually up to a maximum of 5 per cent., when a Sinking Fund of $\frac{1}{4}$ per cent. should also come into operation.

Default took place in October, 1847.

1851.—An Arrangement was agreed to by the Bondholders, but it was not ratified by Congress, although the half-yearly Coupon, due 1st October, 1851, was paid.

1856.—Venezuela received, as the proportion of the Debt due from Peru to the Old Colombian Republic, a sum of \$1,140,000

in Four and a-Half per Cent. Peruvian Bonds. This money was kept by the Government for its own purposes, and not handed over to the External Creditors.

1859.—An Arrangement was concluded on the following basis :—

New Bonds to be issued, bearing interest at $2\frac{1}{2}$ per cent. from 1st January, 1859 to 1st January, 1860, and 3 per cent. thereafter, in exchange for the previous "Active" Bonds, with arrears of interest thereon to 31st December, 1858, and also for arrears of interest to same date on existing Deferred Bonds.

Against the Deferred Bonds New Bonds were to be issued, bearing 1 per cent. interest from 1st January, 1859 to 1st January, 1860, and thenceforth $1\frac{1}{2}$ per cent. Holders of Deferred Bonds had, at the time of Conversion, the option of exchanging £100 Bonds into £50 of the New Three per Cent. Bonds.

1862.—No interest was paid from July, 1860, until 1862, when a Six per Cent. Loan was issued at 63 per cent. through Messrs. Baring, to provide for the unpaid Coupons. The Government defaulted again in 1864 upon the 1859 and 1862 Loans.

1864.—A Loan, bearing 6 per cent. interest, was issued by the General Credit and Finance Company. The last interest paid on this Loan was in April, 1867, when £2. 7s. 6d. on account of the £3 Coupon was paid.

1880-81.—The Loans of 1859, 1862, and 1864 were converted into a "New Consolidated Debt." This Arrangement provided for an issue of £4,000,000 New Bonds, of which £2,750,000 was applied to the Conversion of the above Loans and the necessary expenses. The balance of £1,250,000 was reserved for the Unification of the then existing Internal Debt. Interest on the New Bonds to be 3 per cent. per annum until the Unification of the External and Internal Debts was completed, after which it was to be raised to 4 per cent. on the whole Debt. The Unification Scheme was not carried out owing to difficulties with the Internal Bondholders. Only £2,750,000 Bonds were therefore issued,

and the rate of interest paid up to the present remains at 3 per cent.

1883 and 1888.—Proposals were made to carry out the Unification Scheme in these years, but proved abortive owing, in the first instance, to the Government refusing to provide the necessary funds for the expenses of the operation and, in the second instance, to Congress requiring that the loss on Exchange should be provided out of the sum allowed for the expenses of the Debt Service.

1892.—The Government, in consequence of the Revolution, temporarily suspended the service of the External Debt. The remittances were resumed in June, 1893. The Council issued Certificates for the Coupons due February and August, 1893, which are being gradually redeemed by half-yearly drawings at par.

1896.—Congress authorised the issue of a Loan in Europe for Bols. 50,000,000, the proceeds of which were to be applied to the settlement of the Railway Guarantees in arrear, the acquisition of some of the Railways, if deemed desirable, and the completion of the Central Railway. The Disconto Gesellschaft contracted for this Loan which is to be issued at 80 per cent. The Bonds bear 5 per cent. Interest per annum, and are to be redeemed by a Sinking Fund of 1 per cent. The Loan is secured by the assignment of a sufficient number of units of the National Revenue to cover the Annual Service.

REPORT.

ARREARS OF INTEREST.

Since the issue of the last Appendix two further Drawings of the Arrear Certificates have taken place, viz., in September, 1895, when £11,695. 10s. were drawn, and in March, 1896, when £11,541 were similarly redeemed. The total amount of Certificates paid off at the four Drawings

was £45,730. 10s., leaving a balance of £34,048. 10s. outstanding. Since July, 1894, the Government have remitted at the rate of Bols. 50,500 per month for the redemption of the Certificates, and it may, therefore, be fairly hoped that the whole of the arrears will be amortised in September, 1897.

UNIFICATION OF THE EXTERNAL AND INTERNAL DEBTS.

The proposals of Señor Revenga for the Unification of the External and Internal Debts of the Republic were definitely rejected by the Government in the early part of last year, and no fresh propositions having that object in view have since been submitted to the Council. The interest on the External Debt, therefore, continues to be paid at the rate of 3 per cent. per annum.

UNIFICATION OF THE INTERNAL DEBT.

Although the Government of Venezuela has not carried out the Unification of the External and Internal Debts contemplated by the Arrangement of 1881, under which the rate of interest payable to the External Bondholders was to be raised to 4 per cent., it has taken steps to provide for the Unification of the whole of its Internal obligations.

In March, 1896, the Government concluded an Arrangement with the Holders of the Internal Debt, and in the

following month this Arrangement was confirmed by the following Decree of the Legislature :—

THE CONGRESS OF THE UNITED STATES OF
VENEZUELA.

DECREES.

ARTICLE 1. With the object of converting to one sole rate the different Internal Debts, the National Executive is authorised to issue Sixty-five Million Bolivares in Bonds of a New Debt which shall be styled the National Internal Consolidated Debt.

ARTICLE 2. The issue of this Debt shall be applied to the following conversions :—

1. To the conversion of the 6 per Cent. Internal Debt, issued in conformity with the Executive Decree of the 16th July, 1894, at par.
2. To the conversion of the 5 per Cent. Consolidated Debt in circulation, at 85 per cent.
3. To the conversion of the Certificates in circulation, at par.
4. To the conversion of such Credits against the Nation as are recognised, and to the conversion of such as shall be so recognised, the vouchers of which are in the archives of the Junta de Credito Publico, inscribed in the book relating to them, in accordance with the 3rd Article of the Law of Public Credit in force, at 20 per cent.

NOTE.—Such vouchers of the Revolutionary Debt as shall not be completely legalised by the 30th June of the present year, as also such credits of the Floating Debt as may not have been claimed by the same date, shall be cancelled by the Junta de Credito Publico in the presence of the Procureur General of the Nation, and the corresponding legal certificate shall be drawn up.

ARTICLE 3. The surplus which may remain over, after the conversions ordered in the preceding Article are affected, shall be deposited by the Executive of the Nation in the Bank which receives the National Revenues, and the interest accruing on it shall be paid in to the general account of the Government with the said Bank.

The Executive of the Nation shall have the power of giving this.

surplus as security, or of offering it to public sale at a price of not less than 80 per cent., for the purpose of obtaining the amount necessary for the rapid amortisation of the Bonds of the One per Cent. per Month Debt, by means of tenders, fixing the amounts necessary for this purpose and determining the form in which they are to be carried out.

ARTICLE 4. This Debt shall bear 6 per cent. interest per annum and shall have a Sinking Fund of 1 per cent., also per annum.

ARTICLE 5. The interest shall be paid monthly by the Junta de Credito Publico or by the Bank which receives the National Revenues, and the sales by tender of the Sinking Fund shall be verified monthly before the Junta de Credito Publico.

ARTICLE 6. Sufficient units of the Customs Revenue shall be applied to the service of this Debt, in conformity with the Law regarding the distribution of the National Revenue; and the amount which such assignment may produce shall be fixed in the Budget Law.

ARTICLE 7. In no case, and for no reason whatever, shall it be allowable for Stock at 1 per cent. interest per month to be issued, nor any Debt at any rate of interest exceeding 6 per cent. per annum.

ARTICLE 8. When the conversion of the Debts into the National Internal Consolidated Debt is effected according to the terms laid down in Article 2, such portion as may be cancelled by tenders shall not be re-established, nor shall any new issue of it be made unless it be previously amortized in its entirety or converted to a lower rate of interest.

ARTICLE 9. The Executive of the Nation shall make the arrangements for the service of the National Internal Consolidated Debt, and shall have the power of allowing Agencies to be established in foreign markets, so as to facilitate the payment of Interest to Bondholders.

ARTICLE 10. Proceedings shall immediately be taken for the fulfilment of the foregoing Law, the conversion having to be effected by the 30th June of the current year.

ARTICLE 11. Such Bonds of the National Internal Consolidated Debt as may by the Conversion be due to the Institutions, shall be issued and incinerated in accordance with the terms of the existing Law *re* Public Credit, standing inscribed as Perpetual Debt of the Republic.

ARTICLE 12. If the Executive of the Nation should award the funds necessary for the amortisation of the 1 per cent. per month Bonds, without having to dedicate to them the surplus of the issue of National Internal Consolidated Debt, either by giving it as security or in sale by public tender, the said surplus of the issue shall be incinerated and the amount of the issue of the Debt shall be reduced accordingly.

Such incineration shall be carried out before the Junta de Credito Publico and in the presence of a Commission of the Congress, composed of two Senators and two Deputies appointed for this purpose, the corresponding formal Certificate being drawn up.

ARTICLE 13. Upon the present Law being suspended the sales by tender of the Debts included in the Conversion shall be suspended, and the payment of the Coupons shall be continued until the 1st of July.

All the Bonds of the Debt which may be successively issued shall bear Coupons for monthly Interest commencing from the 1st July of the current year, and the sales by tender laid down in this Law shall commence on the 15th of the same month.

ARTICLE 14. All dispositions which are contrary to the present Law are abrogated.

Given in the Federal Legislative Palace in Caracas, on the 13th April, 1896, the 85th year of the Independence and the 38th of the Federation.

*The President of the Chamber of
the Senate,*

MARIANO ESPINAL.

*The President of the Chamber of
Deputies,*

JOSÉ M. RIVAS.

*The Secretary of the Chamber of
the Senate,*

FRANCISCO PIMENTEL.

*The Secretary of the Chamber of
Deputies,*

M. CABALLERO.

THE FEDERAL PALACE IN CARACAS, on the 14th April, 1896,
85th Year of the Independence and 38th of the Federation.

Let this be executed and let care be taken in its execution.

JOAQUIN CRESPO.

Countersigned,

The Minister of Finance,

H. PEREZ B.

INTERNAL DEBT.

The following table, compiled from the figures given in the Report submitted by the Minister of Finance to the House of Representatives in February, 1896, shows the position of the various classes of the Internal Debt in 1894 and 1895.

Debt.	June 30th, 1894.	June 30th, 1895.	Dec. 31st, 1895.	How redeemed.
5 per cent. Consolidated Internal Debt ...	Bolivares. *39,411,815	Bolivares. *39,918,519	Bolivares. *39,966,625	—
6 per cent. National Internal Debt ...	...	14,270,667	13,290,833	By Tenders.
Floating Debt ...	5,767,900	39,299	31,712	By Conversion into 6 per cent. Internal and by Tender.
Revolutionary Debt ...	59,708,255	4,306,657	3,258,824	By Conversion into 6 per cent. Internal.
1 per cent. per month National Internal Debt...	4,978,090	4,273,338	4,266,338	By Tender.

* NOTE.—About one-third of this amount is understood to be inscribed as belonging to Public Instruction and Charitable Institutions.

It is somewhat difficult to reconcile some of these figures with those given in last year's Appendix, which were obtained from official sources.

RAILWAY GUARANTEES.

On the 12th March, 1896, the President of the Republic presented a Message to Congress, asking for authority to contract a Loan of Bols. 50,000,000, for the purpose of paying off the existing arrears of the 7 per cent. Railway Guarantees which, according to the accounts presented by the Railway Companies, amounted on the 31st December, 1895, to Bols. 25,000,000.

On the 28th March Congress gave its sanction to this project, and issued the following Decree, dated the 9th April, 1896.

THE CONGRESS OF THE UNITED STATES OF
VENEZUELA.

DECREES.

ARTICLE 1. The President of the Republic is authorised to negotiate a Loan for the sum of Bols. 50,000,000 upon the Credit of the United States of Venezuela, and which shall be applied—

1. To the payment of the amounts owing to the Railway Companies for the Guarantee offered by the Nation and liquidated up to the 31st December, 1895.
2. To the redemption of the obligation which the Nation is under to pay the Guarantee in the future.
3. To the acquisition of some Guaranteed Railway or Railways, if the Executive of the Nation should so think fit, and
4. To co-operate for the completion of the Central Railway of Venezuela, at all events as far as S^{ta} Lucia.

ARTICLE 2. The surplus, if any, shall be applied by the Executive

of the Nation to any other engagement which may be urgent and necessary.

ARTICLE 3. The Loan shall be effected by an issue of Fifty Million Bolivares at a rate not less than 80 per cent. nett, in Bonds to Bearer, which the Bank which subscribes may issue with the guarantee of Venezuela and which shall bear 5 per cent. Interest per annum, and 1 per cent. Sinking Fund also per annum, so that the whole Debt may be cancelled in 36½ years.

ARTICLE 4. The Nation will guarantee the issue with as many units of the National Revenue as may suffice to cover the sum of three million Bolivares per annum, the amount of the Interest and Sinking Fund. The said three million Bolivares shall be set down in the Budget Law as to be specially applied to the aforesaid payments.

ARTICLE 5. The Executive of the nation is to reserve to itself the right of increasing the Sinking Fund and the right of redeeming, at any time, at par, the Bonds of the issue, giving six months' notice in advance.

ARTICLE 6. The amortization shall be effected by half-yearly drawings, and both the Bonds drawn for redemption and the Coupons matured for Interest shall be received at par in payment of Customs Duties by the respective Offices, before the term of lapsing of said Bonds or Coupons, in accordance with the terms of the following Article.

ARTICLE 7. The right to collect payments on Bonds drawn and Coupons matured lapses in ten and five years respectively, counting from the day on which their payment may be demandable.

ARTICLE 8. No new Loan may be contracted to which greater or equal rights are conceded than to the present one, without the amortisation of the latter having previously been effected.

ARTICLE 9. The Capital and Interest of the issue shall be exempt from contributions.

ARTICLE 10. The Executive of the Nation is authorised to make all the detailed arrangements for the Loan and, consequently, to organise, in accordance with the issuing Bank, the service of the Debt.

Given in the Federal Legislative Palace, at Caracas, on the 9th

April, 1896, the 85th year of the Independence and the 38th of the Federation.

<i>The President of the Chamber of the Senate,</i>	MARIANO ESPINAL.
<i>The President of the Chamber of Deputies,</i>	JOSÉ M. RIVAS.
<i>The Secretary of the Chamber of the Senate,</i>	FRANCISCO PIMENTEL.
<i>The Secretary of the Chamber of Deputies,</i>	M. CABALLERO.

FEDERAL PALACE, CARACAS, 13th April, 1896, 85th year of the Independence and 38th of the Federation.

Let this be executed, and let care be taken in its execution,
JOAQUIN CRESPO.

Countersigned,
The Minister of Finance,
H. PEREZ B.

Countersigned,
The Minister of Public Works,
C. BRUZUAL SERRA.

On the 15th April the Executive entered into a Contract with the Disconto Gesellschaft of Berlin for the issue of the above Loan at 80 per cent., in accordance with the terms of the above Decree. Under the terms of this Contract a total amount of Bols. 34,050,000 is assigned to the payment of the different Railway claims and to the redemption of their guarantees, as shown below, and Bols. 10,000,000 to the Disconto Gesellschaft for commission and expenses of issue, thus leaving a balance of Bols. 5,950,000. The drawn Bonds and the matured Coupons are payable in London, Paris, Berlin, Hamburg, and Caracas.

The contracts which the Government executed with the different Railways were published in the *Official Gazette*. The principal points of these are as follows :—

GREAT VENEZUELA RAILWAY (GROSSE VENEZUELA
EISENBAHN GESELLSCHAFT).

In this Contract the Government, in liquidation of the arrears of 7 per cent. guarantee due up to the 31st December, 1895, which amount to Bols. 7,299,738, and for release from the obligation to provide this guarantee for the remainder of the 99 years during which it was payable, agree to hand to the Company Bols. 26,000,000 in Gold or its equivalent in Bonds of the New Loan.

THE FRENCH RAILWAY COMPANY.

This Company claimed for arrears of guarantee	Bols. 4,725,000
---	-----------------

And for damage and loss suffered by the Company at the hands of the Government from sundry causes	<u>2,326,751</u>
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Making a total of	<u>Bols. 7,051,751</u>
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In the Contract, however, the Company consented to reduce its claims in respect of the past to Bols. 1,950,000, and to cancel the further obligation on the part of the Government to pay the Seven per Cent. Guarantee, for Bols. 2,500,000, making a total of Bols. 4,450,000 in Bonds of the New Debt.

THE SOUTH-WESTERN (BARQUISIMETO) RAILWAY OF
VENEZUELA.

This Company claimed for arrears of guarantees £127,212, equivalent to, say, Bols. 3,212,116. This amount it consented to reduce to Bols. 1,300,000 in Bonds of the New Debt at par, and it agreed to cancel the further operation of the Guarantee Concession upon the Government surrendering its claim to Bols. 2,017,727 in the Company's Shares. The Government has the right up to the 30th

September, 1896, of redeeming in Gold the 16,000 Shares of the Puerto Cabello, and Valencia Railway surrendered by it to the Barquisimeto Railway Company as its contribution to the work. This re-purchase to be made at the rate of £3. 15s. for each £10 share.

THE CARENERO RAILWAY AND NAVIGATION COMPANY.

This Company claimed in respect of the Guarantee, Bols. 1,372,214. It consented to accept in discharge of this claim and also in respect of the cancelment of the Guarantee Concession for the remainder of the period it had to run, Bonds of the New Loan at par to the amount of Bols. 800,000. The Company binds itself to construct the extension of the line for its own sole account up to a specified point, and the Government concedes to the Company the right of making sundry branch lines and extensions within the term of three years. The Government also grants to the Company, at the expiration of the period during which it enjoys certain special Navigation Rights, a Concession to continue the same, but on the same footing as any other Company which may then elect to enter into competition with it.

THE GUANTA RAILWAY COMPANY.

A contract was executed by which the Government purchased this Railway and the Wharves, Coal-mines, etc connected with the Company for the sum of Bols. 1,500,000 in Bonds of the New Loan.

It is understood that the above contract disposes of the outstanding claims of all the Railway Companies operating in Venezuela with the exception of those of the Puerto-Cabello and Valencia Company and the Venezuela Central Railway Company, neither of which has been able to come to terms with the Government.

REVENUE.

THE FOLLOWING TABLE SHOWS THE COMPARATIVE REVENUES FOR THE YEARS 1887-8
TO 1894-5.

Description.	1887-8.	1888-9.	1889-90.	1890-1.	1892-3.	1893-4.	1894-5.
Imports ..	29,728,817 84	28,282,736 73	33,457,477 06	40,024,233 60	28,358,220 66	37,354,031 82	Bols. 32,337,691 40
Storage ..	54,081 85	61,778 82	61,778 82	64,018 88	57,447 29	69,657 52	70,105 45
Interest ..	144,176 73	129,578 65	58,081 06	87,000 22	68,389 01	139,755 54	98,582 54
Fines ..	36,027 28	40,605 34	49,026 72	86,706 26	46,911 78	61,141 61	36,229 78
Transit Dues ..	6,931,549 30	7,097,176 89	7,182,737 60	8,377,107 34	6,652,784 61	8,545,773 78	7,874,923 30
Duty on Tobacco	165,296 12	143,878 00	168,413 28	593,423 29	712,209 38	898,243 04	1,142,058 12
Stamped Paper	275,398 52	311,091 35	334,244 90	164,430 52	126,424 78	155,880 70	147,085 10
Telegraphs ..	2,845 85	1,841 67	2,817 09	1,386 86	..	179,187 10	180,514 94
Telephones ..	102,117 52	34,739 05	139,705 89	195,334 05	..	555 72	6,186 97
Waste Lands ..	3,465 12	3,716 75	1,517 00	6,180 50	..	31,290 77	28,303 48
School Fines ..	1,980 00	2,300 00	970 00	910 00	6,137 21	224 50	1,546 75
Judicial Taxes ..	40 00	752,330 40	40,127 38	576,665 68	..	445,617 00	460,621 87
Registry ..	76,301 55	91,989 37	111,607 27	127,655 66	63,067 78	90,640 97	90,635 94
Salt Dues ..	910,152 43	777,246 40	1,075,501 35	960,710 00	259,648 61	1,727,489 90	989,861 90
Income of Public Institutions	645,745 75	579,421 28	542,551 68	482,404 23	..	500,677 84	504,093 80
Contract Fees ..	..	..	..	..	1,474 57	..	..
Maracibo Wharf	7,200 00	6,000 00	12,948 67	13,200 00	..	..	..
Territory Revenue	324,295 66	505,348 87	552,100 80	414,952 57	..	12,062 69	26,091 16
Mining Exploitation ..	..	..	188 45	82 08	..	61,754 97	46,388 61
Postage Stamps	1,312,432 70	1,586,932 13	1,041,418 57	1,009,393 89	..	1,090,324 00	1,058,583 59
Patents ..	750 00	450 00	..	..	..	..	3,850 00
Natural Products	1,016 89	274 00	..	26 73	..	..	298,314 97
Puerto Cabello Wharf Dues	..	..	..	..	..	..	3,066,350 47
Profit and Loss	..	..	..	..	..	713 53	157,020 26
Interest Commission and Discount.	..	..	..	..	..	600 00	17,048 51
Sundries ..	..	..	..	..	..	..	..
Totals ..	49,724,531 11	40,395,390 99	45,031,213 49	53,719,803 91	36,724,973 09	51,365,623 00	48,643,211 11

Total Revenue for 1893-4 .. Bols. 51,365,623 at 25 per \$ = \$2,034,282 2 0
 " " 1894-5 .. " 48,643,211 11 " 1,956,463 16 0
 Decrease for 1894-5 .. Bols. 2,722,411 89

No statistics are available for the year 1891-2, as the country was in a state of Revolution in 1892-3 when the information should have been published.

APPORTIONMENT OF CUSTOMS REVENUE.

On the 18th of May, 1896, a Decree was issued, dealing with the Customs Revenue and its distribution and mode of collection.

The Customs Revenue is declared to consist of Import Dues, Warehouse Dues, Interest and Fines, on the basis of a maximum annual yield of Bols. 27,000,000; this is to be divided into 100 units, to be distributed as follows:—

- (1) 46⁸⁸ units for the ordinary Budget of the Public Service.
- (2) 10⁸⁰ units for the service of the Three per Cent. External Debt (= 27 per cent. of the 40 units by which that Debt is guaranteed).
- (3) 11¹² units for the service of the Loan of Bols. 50,000,000, authorised by Law of 9th April, 1896.
- (4) 17 units for the service of the National Internal Consolidated Six per Cent. Debt.
- (5) 5²⁰ units (=13 per cent. of the 40 units) for payment of the foreign claims recognised.
- (6) 9 units for Fomento and National Public Works.

In payment of the duties traders are to give pagarés, to be taken up at maturity, as follows: One for the 46⁸⁸ units, to the order of the National Treasury, one each for the 10⁸⁰, 11¹², 17 and 5²⁰ units for their respective objects, to the order of the Treasury of Public Credit,

and one for the 9 units, to the order of the Treasury of Public Works. Amounts below Bols. 500 are to be paid in cash and distributed in the same proportions as the pagarés. Provision is made for the due recording of the above transactions in the accounts, and the employés are held personally responsible for any infraction of the regulations.

EXPENDITURE.

The expenditure for the year 1894-5, as compared with that of 1893-4, was as follows. It will be observed that nearly the whole of the decrease is due to the reductions in the Departments of War and Public Works. The Finance Department is responsible for more than half of the increased expenditure.

Department.	1893-4.	1894-5.	Increase.	Decrease.
	Bolivares.	Bolivares.	Bolivares.	Bolivares.
Home Office ...	10,903,603.65	11,829,309.59	925,705.94	—
Foreign Affairs ...	2,380,550.34	1,859,969.16	—	520,581.18
Internal Development ...	2,794,317.92	2,295,962.38	—	498,355.54
Public Instruction ...	3,812,452.12	3,428,444.18	—	384,007.94
Finance ...	14,392,394.36	15,419,976.23	1,027,581.87	—
Public Works ...	4,449,641.74	2,229,408.33	—	2,220,233.41
War and Marine ...	13,175,369.60	6,814,869.41	—	6,360,500.19
Bols.	51,908,329.73	43,877,939.28	1,953,287.81	9,983,678.26

1893-4 Bols. 51,908,329.73 at 25.25 per £ = £2,055,775 8 0
 1894-5 " 43,877,939.28 " " " " 1,737,740 1 0

Decrease in 1894-5 Bols. 8,030,390.45 £318,035 7 0

NOTE.—Of the sum of Bols. 1,859,969.16 shown as expended by the Department of Foreign Affairs, Bols. 1,239,048.91 were on account of Foreign Claims, of which Bols. 658,280.10 were paid to the United States.

EXPORTS FROM VENEZUELA DURING THE FISCAL YEAR 1893-4, COMPARED WITH 1889-90 & 1892-3,
COMPILED FROM FOREIGN OFFICE REPORTS.

Articles.		1889-90.		1892-3.		1893-4.	
		Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Coffee	...	43,168,952	Bols.	40,727,203	Bols.	57,571,538	Bols.
Cacao	...	6,894,000	9,329,396	5,916,513	67,296,350	7,352,240	84,769,091
Hides	...	2,325,257	2,432,267	1,632,937	8,584,176	2,311,190	9,651,231
Deer and Goat Skins	...	748,193	2,295,807	806,201	1,343,090	...	2,849,423
Timber	...	2,190,833	130,713	3,326,512	2,388,778	...	...
Cocoanuts	...	746,080	48,426	508,512	176,231	6,777,745	331,042
Cattle	...	11,614	1,176,000	9,955	46,566	322,219	34,943
Goats	...	77	680	94	969,646	11,026	1,131,998
Horses and Mules	...	339	80,600	86	810	...	...
Asses	...	823	32,528	282	23,320	...	...
Gold and Silver Coin	...	259	539,599	386 57	12,284	...	...
Virgin and Placer Gold and Residium	...	3,020	8,888,428	1,653 29	1,009,723	2,380	6,303,792
Copper Ore & old Copper	...	62	183,154	7,265	4,168,861	...	...
Caoutchouc	...	44,157	274,716	60,073	4,243	...	...
Copaiba	...	40,603	120,199	11,666	364,193	36,465	189,011
Sundries	...	42,452,230	4,211,915	6,599,617	32,344	15,009	34,745
Total	...	...	100,918,278	...	2,371,491	...	2,366,418
					86,420,615	...	107,655,694

SUMMARY.

1889-90 at Bols. 25-25 to the £ = £3,996,726
 1892-3 " " " = 3,516,519
 1893-4 " " " = 4,263,590
 Increase 1893-4 over preceding year £747,071.

IMPORTS.

Mr. H. L. Boulton stated, in his report to the Foreign Office for 1895, that no statistics have been obtained as to the total value of Imports into Venezuela. Tables, however, of the imports at Puerto Cabello are furnished by the Vice-Consul at that place, by which the results of the year 1895 can be compared with the four preceding years.

From—					Value.		
					£	s.	d.
United States of America	...	...	...	...	217,984	1	4
England	...	...	...	...	205,515	15	11
Germany	...	...	...	...	149,108	7	4
France	...	...	...	...	91,579	11	1
Spain	...	...	...	...	37,931	6	8
Holland	...	...	...	...	23,303	8	1
Italy	...	...	...	...	4,914	19	0
Other Countries	..	...	...	...	6,531	13	2
Total, 1895					736,869	2	7
,, 1894					1,047,254	17	8
,, 1893					1,221,037	7	8
,, 1892					437,418	18	6
,, 1891					1,135,860	14	7

The returns of the Import dues received at La Guaira for the year 1895 show an increase of £8,165 over those of 1894, which latter year, however, showed a decrease of £210,165 as compared with 1893. The Export dues of 1895 exceeded by £3,140 those of 1894, which in their turn exceeded those of 1893 by £12,500.

Mr. Boulton observed that British Imports for 1894 showed marked falling-off, amounting to about £20,000, and says:—

“Taking this as an average for the four other principal ports of the Republic, the decline in business relations with Great Britain would not be less than £100,000. The trade in machinery and hardware

which was formerly carried on principally with Great Britain, has now been turned to Germany and the United States, owing to cheaper prices, and the former country heads the list in the value of her Exports to Venezuela."

Mr. Andral, in a Consular report published subsequently to the above, says with regard to the falling-off of British Imports :—

Latterly some agitators endeavoured through the Press to create a commercial war against Great Britain, but it has had very little echo, scarcely attracting even passing notice ; for there is no doubt that when the people desire a good, reliable article, they give the preference to one of English manufacture. Owing, however, to the general depression, cheap wares are in demand, and they are plentifully obtained from the above-mentioned countries (America and Germany).

PRINCIPAL LOANS IN DEFAULT IN 1895-96.

ARGENTINA.

LOANS.	Principal Outstanding.	Last Coupon Paid.	Approximate Interest Arrears to	
<i>Provincial Loans—</i>	£			£
Buenos Ayres 6%, 1882-6 ..	3,660,100	1st Jan., 1891	1st July, 1896	1,207,833
Do. 6%, 1883 (Ensenada) ..	2,064,900	1st Apr., 1891	1st April, 1896	619,470
Do. 5%, 1886 (Germany) ..	2,364,012	2nd Jan., 1891	1st July, 1896	650,103
	£8,089,012			£2,477,406
Cordoba 6%, 1886	569,100	1st Nov., 1890	1st May, 1896	187,803
Do. 6%, 1887-8	1,152,600	1st July, 1890	1st July, 1896	414,936
Do. 6%, 1888 (France) ..	1,957,600	1st Oct., 1890	1st April, 1896	538,340
	3,679,300			1,141,079
Santa Fé 6%, 1883-4	1,303,300	1st Nov., 1890	1st May, 1896	430,089
Do. 5%, 1888	1,947,100	15th Oct., 1890	15th April, 1896	535,452
Do. 5% Westn. and Central Col. Railways, 1887	905,000	1st Oct., 1890	1st April, 1896	248,875
Do. 5% Santa Fé and Re- conquista	1,255,400	1st July, 1890	1st July, 1896	376,620
	5,410,800			1,591,036
Entre Rios 6%, 1886	731,800	1st July, 1893	1st July, 1896	131,724
Do. 6%, 1888	1,131,400	1st July, 1893	1st July, 1896	203,652
Do. 6%, 1891, Funding Loan	420,000	1st Jan., 1894	1st July, 1896	63,000
Do. 5%, 1891 Sterling ..	344,700	1st Feb., 1894	1st Feb., 1896	34,470
Do. 5%, 1891 External	393,900	1st Feb., 1894	1st Feb., 1896	39,390
	3,021,800			472,236
	Totals £20,200,912			Total £5,681,757
<i>Municipal Loans—</i>				
Cordoba 6%, 1887	198,400	1st Aug., 1890	1st Feb., 1896	65,472
Do. 6%, 1889	595,200	1st July, 1890	1st July, 1896	214,272
	793,600			279,744
Rosario 6%, 1887	198,400	1st Jan., 1891	1st July, 1896	65,472
Do. 6%, 1888	992,000	1st Sept., 1890	1st Mar., 1896	327,360
	1,190,400			392,832
City of Parana 6%, guaranteed by the Province	197,400	1st Aug., 1893	1st Feb., 1896	29,610
Parana 5%, 1889 (Waterworks)	208,800	1st July, 1893	1st July, 1896	31,320
City of Parana Waterworks Loan, Funding Loan 6% ..	61,640	1st Jan., 1894	1st July, 1896	9,246
	467,840			70,176
	Totals £2,451,840			Total £742,752

*Cedulas of the Mortgage Bank of the Province of
Buenos Ayres—*

Principal outstanding, approximate—

\$185,699,081 Currency (@ 135 premium)

\$3,329,000 Gold

£13,031,564

665,800

£13,697,364

Last Coupon paid in full
October, 1890. Partial
payments in currency
and scrip made to Oct.,
1892. No cash payments
have since been made.

Coupons and "Bonos" outstanding, say £2,230,000

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
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COLOMBIA.

4½ % of 1873	£1,913,500	<div> <div>Oct. 1st, 1879 (27th Coupon) 1st July, 1896</div> <div>}</div> <div>...</div> </div>	£1,522,428
				<div> <div>Balance of 26th Coupon.</div> <div>}</div> <div>...</div> </div>	1,679
Do.	.....			<div> <div>Sundry Certifi- cates for unpaid Coupons of above Loan.</div> <div>}</div> <div>...</div> </div>	8,665
		<u>£1,913,500</u>			<u>£1,532,772</u>

NOTE.—There are also some old Securities in circulation, the conversion of which, under the earlier arrangements, has been omitted.

COSTA RICA.

5 % of 1886	<u>£2,000,000</u>	...	<div> <div>1st Jan., 1895 1st July, 1896</div> <div>}</div> </div>	<u>£200,000</u>
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FORMER CONFEDERATE STATES.

7 % of 1863 (Cotton Loan)	}	...	<u>£2,418,800</u>	<div> <div>1st Sept., 1865 1st March, 1896</div> <div>}</div> </div>	...	<u>£5,248,796</u>
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ECUADOR.

New Consolidated Debt	}	<u>£693,160</u>	...	<div> <div>Coupons due May 1st, partially paid.</div> <div>}</div> </div>
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NOTE.—The remittances for the service of the Debt were suspended from February 15th, 1896.

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
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HONDURAS.

5 % of 1867	£78,800	{ 1st April, 1873 1st April, 1896 } ...	£92,590
10 % of 1867	900,700	{ 1st Jan., 1873 1st July, 1896 } ...	2,161,680
6½ % of 1869	2,176,570	{ 1st Mar., 1873 1st Mar., 1896 } ...	3,409,959
10 % of 1870	2,242,500	{ 1st Jan., 1873 1st July, 1896 } ...	5,382,000
	<u>£5,398,570</u>		<u>£11,046,229</u>

LIBERIA.

7 % of 1871	<u>£100,000</u>	{ 1st Aug., 1874 1st Feb., 1896 } ...	<u>£154,000</u>
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LOUISIANA.

7 % Consolidated of 1874 Certificates of Claim (\$5=£1) ...	<u>£184,432</u>	—	...	<u>—</u>
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NOTE.—Issued under notarial protests by the Council of Foreign Bondholders in London, in accordance with the Resolutions of May, 1875, for the loss of 40 % Principal involved in the conversion of the corresponding amount of Bonds (held in England) under the Funding Act of January, 1874.

MISSISSIPPI.

6 % of 1831-3 (A.)	£400,000	{ 1st March, 1841 1st March, 1896 } ..	£1,332,000
5 % of 1838 (B.)	1,000,000	Do. ...	2,775,000
	<u>£1,400,000</u>		<u>£4,107,000</u>

NOTES.—(A.) "Planters' Bank" Bonds. (B.) "Union Bank" Bonds.

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
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WEST VIRGINIA.

Certificates.....	<u>£3,047,874</u>	Being West Virginia's one-third Share of the old Debt of Virginia appor- tioned 1st July, 1871, not yet recog- nised by West Virginia.
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SUMMARY OF PRINCIPAL LOANS IN DEFAULT IN 1895-96.

STATES.	Approximate Prin- cipal Outstanding.	Approximate In- terest Arrears.
ARGENTINE PROVINCIAL LOANS...	£ 20,200,912	£ 5,681,757
Do. MUNICIPAL do. ...	2,451,840	742,752
Do. PROVINCIAL CEDULAS	13,697,364	2,230,000
COLOMBIA*	1,913,500	1,522,428
COSTA RICA	2,000,000	200,000
FORMER CONFEDERATE STATES...	2,418,800	5,248,796
ECUADOR*	693,160	—
HONDURAS	5,398,570	11,046,229
LIBERIA	100,000	154,000
LOUISIANA (CERTIFICATES) ...	184,432	—
MISSISSIPPI	1,400,000	4,107,000
WEST VIRGINIA	3,047,874	—
Total	£53,506,452	£30,932,962

* See Notes to Colombia and Ecuador, page 372.